

OAK RIDGE CITY COUNCIL MEETING
Municipal Building Courtroom

September 9, 2013—7:00 p.m.

AGENDA

I. INVOCATION

Reverend Joseph Westfall, West Village Christian Church

II. PLEDGE OF ALLEGIANCE

III. ROLL CALL

IV. APPEARANCE OF CITIZENS

V. PROCLAMATIONS AND PUBLIC RECOGNITIONS

VI. SPECIAL REPORTS

- a. Airport Presentation by Billy Stair, Metropolitan Knoxville Airport Authority.
- b. Presentation of State Forms CT-0253 Report on Debt Obligation for the 2013 Series General Obligation Bonds.

VII. CONSENT AGENDA

- a. Approval of the August 12, 2013 City Council Meeting minutes.
- b. Approval of the August 26, 2013 City Council Special Meeting minutes.
- c. Approval of the August 26, 2013 City Council Work Session minutes.
- d. Adoption of a resolution authorizing the City to submit a grant application to the Tennessee Municipal League Risk Management and accept said grant if approved.
- e. Adoption of a resolution awarding a contract to Loudon County Fence, LLC, Lenoir City, Tennessee, for the installation of fencing for the dog park at Big Turtle Park in the estimated amount of \$27,767.00.
- f. Adoption of a resolution awarding two contracts (FY2014-30 and FY2014-31) to Dixie Roofing, Inc., LaFollette, Tennessee, for the replacement of metal and member roofs at the Water Treatment Plant, said contracts in the estimated amounts of \$170,575.00 and \$241,395.00, respectively.
- g. Adoption of a resolution awarding a bid in the estimated amount of \$101,871.00 to Wesco Distribution, Inc., Chattanooga, Tennessee, for the furnishing of underground electric cable.
- h. Adoption of a resolution authorizing the submittal of a grant application to the Tennessee Department of Transportation (TDOT) for an Operating Assistance Grant to reimburse the City for up to fifty percent (50%) of the net operating expenses of the City's Public Transportation Program in the estimated amount of \$165,533.00, and to accept said grant if approved by TDOT.
- i. Adoption of a resolution to authorize the use of approximately \$25,000.00 from the Special Programs Fund for pedestrian crosswalk safety improvements on Emory Valley

Road at the Emory Valley Center.

VIII. RESOLUTIONS

- a. A RESOLUTION AUTHORIZING THE CITY TO PURCHASE ONE (1) SUTPHEN FIRE ENGINE AND LEASE-PURCHASE TWO (2) SUTPHEN FIRE ENGINES FROM SUTPHEN CORPORATION IN THE ESTIMATED AMOUNT OF \$1,446,437.00.
- b. A RESOLUTION TO EXTEND THE EMPLOYEE MEDICAL INSURANCE CONTRACT BETWEEN THE CITY OF OAK RIDGE AND THE STATE OF TENNESSEE LOCAL GOVERNMENT HEALTH INSURANCE PROGRAM FOR THE PERIOD OF JANUARY 1, 2014 THROUGH DECEMBER 31, 2014 AT AN ESTIMATED COST OF \$4,520,000.00.
- c. A RESOLUTION MAKING AWARDS TO ALTERNATE STAFFING, INC.; ATWORK SOLUTIONS, INC.; EXPRESS EMPLOYMENT PROFESSIONALS; FIRST PLACE FINISH; ROBERT HALF INTERNATIONAL (ACCOUNTemps AND OFFICE TEAM); STAFFING SOLUTIONS; TEMP SYSTEMS, INC.; AND TRINITY CONTRACTING SERVICES CO., LLC, FOR FURNISHING AS NEEDED TEMPORARY EMPLOYMENT SERVICES FOR FISCAL YEAR 2014 IN THE ESTIMATED AMOUNT OF \$225,000.00.
- d. A RESOLUTION TO SELECT A SITE LOCATION FOR A NEW EQUALIZATION BASIN (EAST PLANT EQ BASIN) TO BE CONSTRUCTED BY SEPTEMBER 2015.
- e. A RESOLUTION TO SELECT A SITE LOCATION FOR A NEW EQUALIZATION BASIN (EMORY VALLEY EQ BASIN – SITE A) TO BE CONSTRUCTED BY SEPTEMBER 2015.
- f. A RESOLUTION TO SELECT A SITE LOCATION FOR A NEW EQUALIZATION BASIN (ILLINOIS EQ BASIN – SITE A) TO BE CONSTRUCTED BY SEPTEMBER 2015.
- g. A RESOLUTION TO AMEND THE POWER CONTRACT WITH TVA IN ORDER TO ESTABLISH NEW WHOLESALE AND RESALE RATE SCHEDULES EFFECTIVE WITH THE OCTOBER 1, 2013 UTILITY BILLINGS.

IX. PUBLIC HEARINGS AND FIRST READING OF ORDINANCES

First Reading of Ordinances

- a. AN ORDINANCE TO AMEND ORDINANCE NO. 27-85, TITLED "A PERSONNEL PLAN FOR EMPLOYEES OF THE CITY OF OAK RIDGE, TENNESSEE," AS AMENDED, BY DELETING SECTION 5.1, TITLED "COMPENSATION PHILOSOPHY AND POLICY," AND SUBSTITUTING THEREFOR A NEW SECTION 5.1 TITLED "COMPENSATION PHILOSOPHY AND POLICY"; BY ADDING A NEW SECTION 6.11, TITLED "BONUSES"; BY DELETING SUBSECTION B OF SECTION 7.3, TITLED "APPOINTMENTS," AND SUBSTITUTING THEREFOR A NEW SUBSECTION B; AND DELETING ARTICLE 10, TITLED "GRIEVANCE PROCEDURE," IN ITS ENTIRETY AND SUBSTITUTING THEREFOR A NEW ARTICLE 10, TITLED "GRIEVANCE PROCEDURE," ALL FOR THE PURPOSE OF UPDATING THE PERSONNEL PLAN.
- b. AN ORDINANCE TO AMEND ORDINANCE NO. 19-82, AS AMENDED, BY DELETING THE PROVISION OF SECTION 2 PERTAINING TO THE SCHEDULE OF WATER RATES FOR COMMODITY CHARGES AND MINIMUM MONTHLY BILLING IN ITS ENTIRETY, AND SUBSTITUTING THEREFOR A NEW SCHEDULE OF WATER RATES.
- c. AN ORDINANCE TO AMEND ORDINANCE NO. 21-82, AS AMENDED, BY DELETING

THE PROVISION OF SECTION 13 PERTAINING TO THE SCHEDULE OF WASTEWATER RATES IN ITS ENTIRETY, AND SUBSTITUTING THEREFOR A NEW SCHEDULE OF WASTEWATER RATES.

X. FINAL ADOPTION OF ORDINANCES

- a. AN ORDINANCE TO AMEND ORDINANCE NO. 2, TITLED "THE ZONING ORDINANCE OF THE CITY OF OAK RIDGE, TENNESSEE," ARTICLE XIV, TITLED "SIGN REGULATIONS," TO ADD A NEW SECTION 14.21, TITLED "MOVING COPY (ELECTRONIC MESSAGE CENTER) SIGNS," FOR THE PURPOSE OF ESTABLISHING CRITERIA FOR OPERATION OF MOVING COPY (ELECTRONIC MESSAGE CENTER) SIGNS.
- b. AN ORDINANCE TO AMEND TITLE 13, TITLED "PROPERTY MAINTENANCE REGULATIONS," OF THE CODE OF ORDINANCES, CITY OF OAK RIDGE, TENNESSEE," BY CREATING A NEW CHAPTER 6, TITLED "OAK RIDGE LAND BANK CORPORATION," TO CREATE A LAND BANK CORPORATION IN ACCORDANCE WITH TENNESSEE CODE ANNOTATED §13-30-101 ET SEQ.
- c. AN ORDINANCE TO AMEND TITLE 13, TITLED "PROPERTY MAINTENANCE REGULATIONS," CHAPTER 5, TITLED "RESIDENTIAL RENTAL DWELLING UNIT INSPECTIONS," BY DELETING SUBSECTION 13-503(3), TITLED "DIRECTOR," IN ITS ENTIRETY AND SUBSTITUTING THEREFOR A NEW SUBSECTION 13-503(3), TITLED "CITY MANAGER"; BY DELETING SUBSECTION 13-504(2)(A), TITLED "HIGHLAND VIEW REDEVELOPMENT AREA," AND SUBSTITUTING THEREFOR A NEW SUBSECTION 13-504(2)(A), TITLED "MANHATTAN DISTRICT OVERLAY"; AND TO REPLACE ALL REFERENCES WITHIN THE CHAPTER TO "DIRECTOR" TO NOW BE "CITY MANAGER," WITH ALL CHANGES FOR THE PURPOSE OF EXPANDING THE RESIDENTIAL RENTAL INSPECTION DISTRICT AND OTHER HOUSEKEEPING UPDATES.

XI. ELECTIONS/APPOINTMENTS, ANNOUNCEMENTS AND SCHEDULING

a. Elections/Appointments

b. Announcements

Notice of Mayor's Service on the Oak Ridge Chamber of Commerce's Initiative's Steering Committee

c. Scheduling

XII. COUNCIL REQUESTS FOR NEW BUSINESS ITEMS OR FUTURE BRIEFINGS

XIII. SUMMARY OF CURRENT EVENTS

a. CITY MANAGER'S REPORT

b. CITY ATTORNEY'S REPORT

XIV. ADJOURNMENT

SPECIAL REPORTS

FINANCE DEPARTMENT MEMORANDUM
13-23

DATE: August 30, 2013
TO: Mark S. Watson, City Manager
FROM: Janice E. McGinnis, Finance Director
SUBJECT: Transmittal of Report on Debt Obligation – State Form CT-0253 and Official Statement for \$23,205,000 Series 2013 Bonds

On August 15, 2013, the City closed on the issuance of \$23,205,000 in General Obligation Bonds, Series 2013 for the refunding of the outstanding Series 2003 General Obligation Bonds and the outstanding 1997, 1998 and 2002 State Revolving Fund (SRF) Loans and to provide an approximate \$3,585,000 in additional funding for water and sewer projects.

Robert W. Baird & Company, Inc. purchased the bonds, being the lowest of 9 bidders. The true interest cost on the bonds was 3.7145492% and the refunding portion of the bonds had a net present value gain of \$92,192.77.

Attached is State Form CT-0253 Report on Debt Obligation and the Bond Issuance Official Statement related to the \$23,205,000 General Obligation Bonds, Series 2013 for transmittal to City Council. The resolutions authorizing this debt was approved at the June 10, 2013 City Council meeting. The State Comptroller requires that the CT-0253 form be completed and returned to the Comptroller's Office of State and Local Finance and presented to the governing body at a public meeting along with the Official Statement. The Official Statement describes the essential terms of the bonds along with financial information about the City of Oak Ridge and brief economic information about Oak Ridge and the surrounding area for prospective bond purchasers.

City staff will be happy to answer questions regarding the attached information at the September 9, 2013 City Council meeting. The presentation is for transparency regarding debt transactions; no action is required by City Council.



Janice McGinnis

Attachments

CT-0253 Form for \$23,205,000 General Obligation Bonds, Series 2013
Official Statement–City of Oak Ridge, TN \$23,205,000 General Obligation Bonds, Series 2013

cc: Honorable Mayor and Members of City Council

RECEIVED

AUG 19 2013

REPORT ON DEBT OBLIGATION
(Pursuant to Tennessee Code Annotated Section 9-21-151)

STATE AND LOCAL FINANCE

1. Public Entity:

Name City of Oak Ridge, TN

Address City Mayor
P. O. Box 1
Oak Ridge, Tennessee 37831-0001

2. Debt Obligation:

a. Bond
 b. CON
 c. BAN
 d. GAN
 e. TRAN
 f. CRAN
 g. Capital Lease
 h. Loan Agreement

Note: Enclose a copy of the executed NOTE FORM if applicable.

5. Face Amount of Debt Obligation: \$23,205,000.00

Premium/Discount: \$608,520.95

6. Type of Sale:

a. Competitive Public Sale
 b. Informal Bid
 c. Negotiated Sale
 d. Loan Program

3. Security For Debt Obligation:

a. General Obligation
 b. General Obligation+Revenue+Tax
 c. Revenue
 d. TIF
 e. Annual Appropriations

7. Tax Status:

a. Tax Exempt
 b. Tax Exempt - Bank Qualified
 c. Taxable

8. Dated Date: August 15, 2013

4. Purpose of Issue:

a. General Government
 b. Education
 c. Highways and Streets
 d. Public Safety
 e. Solid Waste Disposal
 f. Industrial Park
 g. Manufacturing Facilities
 h. Health Facilities
 i. Airports
 j. Utilities
 i. Water 2.54%
 ii. Sewer 12.93%
 iii. Electric
 iv. Gas
 k. Refunding or Renewal 84.53%
 l. Other _____
specify

9. Issue Date (Closing Date): August 15, 2013

10. Ratings:

a. Moody's _____
b. Standard & Poor's AA
c. Fitch _____
d. Unrated _____

11. Interest Cost: 3.7145492%

a. TIC
 b. NIC
 c. Variable: Index ___ plus ___ bps
 d. Other

12. Recurring Costs:

a. Remarketing Agent (bps) _____
b. Liquidity (bps) _____
c. Credit Enhancements (bps) _____

13. Maturity Dates, Amounts and Interest Rates

| Year | Amount | Interest Rate | Year | Amount | Interest Rate |
|------|-------------|---------------|------|--------|---------------|
| 2014 | \$1,600,000 | 2.000% | | | |
| 2015 | \$2,265,000 | 2.000% | | | |
| 2016 | \$2,080,000 | 2.000% | | | |
| 2017 | \$235,000 | 2.000% | | | |
| 2018 | \$245,000 | 3.000% | | | |
| 2019 | \$255,000 | 3.000% | | | |
| 2020 | \$665,000 | 3.000% | | | |
| 2021 | \$1,025,000 | 3.000% | | | |
| 2022 | \$1,055,000 | 4.000% | | | |
| 2023 | \$375,000 | 4.000% | | | |
| 2024 | \$285,000 | 3.000% | | | |
| 2025 | \$290,000 | 3.000% | | | |
| 2026 | \$305,000 | 3.250% | | | |
| 2027 | \$215,000 | 4.000% | | | |
| 2028 | \$825,000 | 3.500% | | | |
| 2031 | \$5,615,000 | 4.000% | | | |
| 2034 | \$5,870,000 | 4.375% | | | |
| | | | | | |
| | | | | | |
| | | | | | |

If additional space is needed, attach additional sheet.

Weighted Average Maturity 11.844 years

14. Repayment Schedule

| Year | This Issue | | Total Debt Outstanding | |
|------|-------------------------|---------|-------------------------|---------|
| | Cum. Principal Redeemed | % Total | Cum. Principal Redeemed | % Total |
| 1 | \$160,000.00 | 0.69% | \$6,934,702.00 | 4.15% |
| 5 | \$6,425,000.00 | 27.69% | \$35,106,505.00 | 20.98% |
| 10 | \$9,800,000.00 | 42.23% | \$75,871,779.00 | 45.35% |
| 15 | \$11,720,000.00 | 50.51% | \$32,183,140.00 | 19.24% |
| 20 | \$21,400,000.00 | 92.22% | \$144,118,849.00 | 86.15% |
| 25 | \$23,205,000.00 | 100.00% | \$160,796,012.00 | 96.11% |
| 30 | | | \$167,296,012.00 | 100.00% |
| 35 | | | | |
| 40 | | | | |

15. Itemized Description of the Cost of Issuance

(Round to Nearest Dollar)

| | | Name of Firm |
|---|------------------|---|
| a. Financial Advisor Fees* | <u>\$90,000</u> | Cumberland Securities Company, Inc |
| b. Legal Fees: | | |
| i. Bond Counsel | <u>\$27,000</u> | Bass, Berry & Sims PLC |
| ii. Issuer's Counsel | _____ | _____ |
| iii. Trustee's Counsel | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| c. Paying Agent Fees and Registration Fees | <u>\$750</u> | Regions Bank |
| d. Trustee Fees | _____ | _____ |
| e. Remarking Agent Fees | _____ | _____ |
| f. Liquidity Fees | _____ | _____ |
| g. Rating Agency Fees | <u>\$16,000</u> | Standard & Poor's |
| h. Credit Enhancement Fees | | |
| i. Underwriter's Discount 0.837% | <u>\$194,315</u> | Robert W. Baird & Co. |
| i. Take Down | _____ | _____ |
| ii. Management Fee | _____ | _____ |
| iii. Risk Premium | _____ | _____ |
| iv. Underwriter's Counsel | _____ | _____ |
| v. Other Expenses | _____ | _____ |
| j. Printing and Advertising Fees | <u>\$6,400</u> | The Oak Ridger, Print Shop, i-Deal, CUSIP |
| k. Issuer Fees | _____ | _____ |
| l. Real Estate Fees | _____ | _____ |
| m. Bank Closing Costs | _____ | _____ |
| n. Other Costs | <u>\$12,083</u> | _____ |
| | <u>\$346,548</u> | structuring, postage, doc product, travel, etc. |

*If other costs are included, please itemize

Note: Enclose a copy of the DISCLOSURE DOCUMENT/OFFICIAL STATEMENT if applicable.

16. Description of Continuing Disclosure Obligations

(Use additional Pages if necessary)

Individual Responsible for Completion:

Dissemination Agent - Cumberland Securities

Date Annual Disclosure is due:

By June 30 of each year

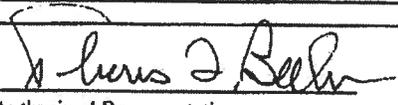
By June 30 of each year, the Annual Report (and audited financial statements if filed separately) and any notices will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") at www.cmma.msrb.org. See "Miscellaneous - Continuing Disclosure" in the Final Official Statement filed with this form for a description of the City's Disclosure Obligation.

17. Description of Compliance with Written Debt Management Policy:
 (Use additional pages if necessary)

The City Council of Oak Ridge, TN adopted a Debt Management Policy on November 14, 2011, and the Policy has been filed with the State in accordance with the requirements of the State of Tennessee regarding the adoption of a formal debt management policy. The Bonds comply with the Debt Management Policy.

18. (If any) Description of Derivative and Compliance with Written Derivative Management Policy:
 (Use additional pages if necessary)

19

| | |
|---|--|
|  | Joseph K. Ayres |
| Authorized Representative | Preparer |
| City Mayor | President |
| Title | Title |
| 08/15/13 | Cumberland Securities Company, Inc. |
| Date | Firm |
| jbeehan@oakridgetn.gov | 08/15/13 |
| Email | Date |
| | joc.ayres@cumberlandsecurities.com |
| | Email |

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 Submitted to the Governing Body on 09/09/13 and presented at its public meeting held on 09/09/13

COPY TO: Director - Office of State and Local Finance, 505 Deaderick Street, Suite 1600,
 James K. Polk State Office Building, Nashville TN 37243-1402

OFFICIAL STATEMENT

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Municipality, interest on the Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS - Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes. (See "LEGAL MATTERS - Tax Matters" herein).

\$23,205,000 **CITY OF OAK RIDGE, TENNESSEE** **General Obligation Bonds, Series 2013**

Dated: August 15, 2013.

Due: June 1 (as shown below)

The \$23,205,000 General Obligation Bonds, Series 2013 (the "Bonds") are issuable in fully registered form in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on December 1, 2013 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of the Registration Agent. In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable at the principal corporate trust office of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent").

This Bond shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. This Bond shall be additionally payable from and secured by a pledge of the revenues to be derived from the operation of the System, as defined herein, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System and to any pledges of such revenues in favor of prior lien obligations payable from the revenues of the System. For the prompt payment of principal of, premium, if any, and interest on this Bond, the full faith and credit of the City are irrevocably pledged.

The Bonds maturing on or after June 1, 2024 are subject to redemption prior to maturity as described herein.

| <u>Due</u> <u>(June 1)</u> | <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | <u>CUSIP**</u> | <u>Due</u> <u>(June 1)</u> | <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | <u>CUSIP**</u> |
|-------------------------------|---------------|--------------------------------|--------------|----------------|-------------------------------|---------------|--------------------------------|--------------|----------------|
| 2014 | \$1,600,000 | 2.00% | 0.25% | 671783QJ0 | 2022 | \$1,055,000 | 4.00% | 2.55% | 671783QS0 |
| 2015 | 2,265,000 | 2.00 | 0.50 | 671783QK7 | 2023 | 375,000 | 4.00 | 2.72 | 671783QT8 |
| 2016 | 2,080,000 | 2.00 | 0.80 | 671783QL5 | 2024 | 285,000 | 3.00 | 3.00 | 671783QU5 |
| 2017 | 235,000 | 2.00 | 1.10 | 671783QM3 | 2025 | 290,000 | 3.00 | 3.15 | 671783QV3 |
| 2018 | 245,000 | 3.00 | 1.45 | 671783QN1 | 2026 | 305,000 | 3.25 | 3.30 | 671783QW1 |
| 2019 | 255,000 | 3.00 | 1.73 | 671783QP6 | 2027 | 215,000 | 4.00 | 3.50 c | 671783QX9 |
| 2020 | 665,000 | 3.00 | 2.02 | 671783QQ4 | 2028 | 825,000 | 3.50 | 3.70 | 671783QY7 |
| 2021 | 1,025,000 | 3.00 | 2.30 | 671783QR2 | | | | | |

\$5,615,000 4.000% Term Bond Due June 1, 2031 @ 4.00% 671783RB6
\$5,870,000 4.375% Term Bond Due June 1, 2034 @ 4.00% c 671783RE0

c = yield to call on June 1, 2023.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire *Official Statement* to obtain information essential to make an informed investment decision.

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from the City by Kenneth R. Krushenski, Esq., counsel to the City. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about August 15, 2013.

Cumberland Securities Company, Inc.
Financial Advisor

July 18, 2013

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Official Statement may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Bonds, the Resolution, the Disclosure Certificate (as defined herein), and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Resolution.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such acts. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer or the Underwriter. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

** These CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the Bond holders. The City is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated herein.

CITY OF OAK RIDGE, TENNESSEE

MEMBERS OF CITY COUNCIL

Tom Beehan, *Mayor*

D. Jane Miller, *Mayor Pro Tem*

Trina Baughn

Anne Garcia Garland

L. Charles Hensley

Charles J. Hope, Jr.

David N. Mosby

CITY OFFICIALS

Mark S. Watson

City Manager

Janice E. McGinnis

Finance Director

Diana Stanley

City Clerk

Kenneth R. Krushenski

City Attorney

UNDERWRITER

Robert W. Baird & Co., Inc.
Winston-Salem, North Carolina

BOND REGISTRAR AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

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General Information

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APPENDIX C: GENERAL PURPOSE FINANCIAL STATEMENTS

SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Official Statement*.

- The IssuerCity of Oak Ridge, Tennessee (the “City” or “Issuer” or “Municipality”). See the section entitled “Supplemental Information Statement” for more information.
- Securities Offered.....\$23,205,000 General Obligation Bonds, Series 2013 (the “Bonds”) of the City, dated August 15, 2013. The Bonds will mature each June 1 beginning June 1, 2014 through June 1, 2028, inclusive, June 1, 2031 and June 1, 2034. See the section entitled “SECURITIES OFFERED – Authority and Purpose”.
- Security.....This Bond shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. This Bond shall be additionally payable from and secured by a pledge of the revenues to be derived from the operation of the System (as defined below), subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System and to any pledges of such revenues in favor of prior lien obligations payable from the revenues of the System. For the prompt payment of principal of, premium, if any, and interest on this Bond, the full faith and credit of the City are irrevocably pledged.
- PurposeThe Bonds are being issued for the purpose of providing funds to refund the Municipality's Tennessee Local Development Authority State Revolving Loan, Series 1997; its outstanding Tennessee Local Development Authority State Revolving Loan, Series 1998; its outstanding Tennessee Local Development Authority State Revolving Loan, Series 2002 and its outstanding General Obligation Refunding Bonds, Series 2003, dated March 24, 2003, maturing June 1, 2014 and thereafter, and to finance, in whole or in part, the (i) improvement and expansion of the waterworks system of the Municipality (the "System"), which includes the water and wastewater systems of the Municipality; (ii) purchase of equipment for the System; (iii) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; (iv) reimbursement to the Municipality for funds previously expended for any of the foregoing, and to pay costs of issuance of the Bonds. See the section entitled “SECURITIES OFFERED – Refunding Plan”.
- Optional RedemptionThe Bonds are subject to optional redemption prior to maturity on or after June 1, 2023, at the redemption price of par plus accrued interest. See the section entitled “SECURITIES OFFERED - Optional Redemption”.
- Tax Matters.....In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. Interest on the Bonds will be exempt from certain taxation in Tennessee, all as more fully described in the section entitled “LEGAL MATTERS-Tax Matters” and APPENDIX A (form of opinion), attached hereto.
- Rating.....Standard & Poor’s: “AA”. See the section entitled “MISCELLANEOUS - Rating” for more information.

Underwriter.....Robert W. Baird & Co., Inc., Winston-Salem, North Carolina.

Financial AdvisorCumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled "MISCELLANEOUS - Financial Advisor, Related Parties, Other".

Bond CounselBass, Berry & Sims PLC, Knoxville, Tennessee.

Book-Entry-OnlyThe Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled "BASIC DOCUMENTATION - Book-Entry-Only System".

Registration Agent.....Regions Bank, Nashville, Tennessee.

GeneralThe Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See "SECURITIES OFFERED" herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of DTC, New York, New York.

DisclosureIn accordance with Rule 15c2-12 of the U.S. Securities and Exchange Commission as amended, the City will provide the Municipal Securities Rulemaking Board ("MSRB") through the operation of the Electronic Municipal Market Access system ("EMMA") and the State information depository ("SID"), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled "MISCELLANEOUS-Continuing Disclosure."

Other Information.....The information in this *Official Statement* is deemed "final" within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission as of the date which appears on the cover hereof. For more information concerning the City or this *Official Statement* contact Mr. Tom Beehan, Mayor, P. O. Box 1, Oak Ridge, Tennessee 37831-0001, Telephone: (865) 425-3432, or the City's Financial Advisor, Cumberland Securities Company, Inc., 813 S. Northshore Drive, Suite 201A, Knoxville, Tennessee 37919, Telephone: (865) 368-7777.

GENERAL FUND
Summary of Changes In Fund Balances
For the Fiscal Year Ended June 30

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Beginning Fund Balance | \$ 5,772,290 | \$7,488,277 | \$ 7,535,775 | \$ 9,169,606 | \$ 9,468,748 |
| Revenues | 37,520,509 | 34,951,398 | 37,045,524 | 38,222,434 | 39,008,221 |
| Expenditures | 17,250,081 | 18,200,374 | 18,636,851 | 21,162,492 | 21,497,435 |
| Other Financing Sources: | | | | | |
| Transfers In | - | 2,535,471 | 2,500,515 | 2,685,282 | 2,855,907 |
| Transfers Out | (18,554,441) | (19,238,997) | (19,275,357) | (19,446,082) | (20,618,392) |
| Excess of Revenue/Other Sources Over (Under) | 1,715,987 | 47,498 | 1,633,831 | 299,142 | (251,699) |
| Ending Fund Balance | \$ 7,488,277 | \$ 7,535,775 | \$ 9,169,606 | \$ 9,468,748 | \$ 9,217,049 |

Source: City of Oak Ridge Financial Statements with Report of Certified Public Accountants.

\$23,205,000
CITY OF OAK RIDGE, TENNESSEE
General Obligation Bonds, Series 2013

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This *Official Statement*, which includes the Summary Statement and appendices, is furnished in connection with the offering by the City of Oak Ridge, Tennessee (the "City" or "Issuer") of \$23,205,000 General Obligation Bonds, Series 2013 (the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and amended, and other applicable provisions of law and pursuant to a bond resolution (the "Resolution") duly adopted by the City Council of the City on June 10, 2013.

The Bonds are being issued for the purpose of providing funds to refund the Municipality's Tennessee Local Development Authority State Revolving Loan, Series 1997; its outstanding Tennessee Local Development Authority State Revolving Loan, Series 1998; its outstanding Tennessee Local Development Authority State Revolving Loan, Series 2002 and its outstanding General Obligation Refunding Bonds, Series 2003, dated March 24, 2003, maturing June 1, 2014 and thereafter, and to finance, in whole or in part, the (i) improvement and expansion of the waterworks system of the Municipality (the "System"), which includes the water and wastewater systems of the Municipality; (ii) purchase of equipment for the System; (iii) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; (iv) reimbursement to the Municipality for funds previously expended for any of the foregoing, and to pay costs of issuance of the Bonds.

REFUNDING PLAN

The City is proposing to refinance its outstanding obligation: (i) Tennessee Local Development Authority State Revolving Loan, Series 1997 ("SRF 1997"); (ii) its outstanding Tennessee Local Development Authority State Revolving Loan, Series 1998 ("SRF 1998"); (iii) its outstanding Tennessee Local Development Authority State Revolving Loan, Series 2002 ("SRF 2002"); and (iv) its outstanding General Obligation Refunding Bonds, Series 2003, dated March 24, 2003, maturing June 1, 2014 and thereafter (the "Series 2003 Bonds," and together with SRF 1997, SRF 1998, and SRF 2002, the "Outstanding Obligations").

As required by Title 9, Chapter 21, Part 9 of *Tennessee Code Annotated* as supplemented and revised, a plan of refunding (the "Plan") for the Outstanding Obligations was submitted to the Director of the Office of State and Local Finance for review, and a report was received thereon.

DESCRIPTION OF THE BONDS

The Bonds will be initially dated and bear interest from August 15, 2013. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2013. The Bonds are issuable in book-entry-only form in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the Mayor and shall be attested by the City Clerk. No Bond shall be valid until it has been authorized by the manual signature of an authorized officer or employee of the Registration Agent and the date of the authentication noted thereon.

SECURITY

This Bond shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. This Bond shall be additionally payable from and secured by a pledge of the revenues to be derived from the operation of the System, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System and to any pledges of such revenues in favor of prior lien obligations payable from the revenues of the System. For the prompt payment of principal of, premium, if any, and interest on this Bond, the full faith and credit of the City are hereby irrevocably pledged.

The City, through its governing body, shall annually levy and collect a tax on all taxable property within the City, in addition to all other taxes authorized by law, sufficient to pay the principal of, premium, if any, and interest on the Bonds when due. Principal and interest on the Bonds falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the City and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected. The taxes may be reduced to the extent of appropriations from other funds, taxes and revenues, to the payment of debt service on the Bonds.

The Bonds will not be obligations of the State of Tennessee.

OPTIONAL REDEMPTION OF THE BONDS

Bonds maturing June 1, 2024, and thereafter, shall be subject to redemption prior to maturity at the option of the City on June 1, 2023 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

MANDATORY REDEMPTION

Subject to the credit hereinafter provided, the City shall redeem Bonds maturing June 1, 2031, and June 1, 2034 on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed shall be selected by lot or in such other random manner as the Registration Agent in its discretion may designate.

The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

| <u>Maturity</u> | <u>Redemption Date</u> | <u>Principal Amount of Bonds Redeemed</u> |
|-----------------|------------------------|---|
| June 1, 2031 | June 1, 2029 | \$1,815,000 |
| | June 1, 2030 | \$1,890,000 |
| | June 1, 2031* | \$1,910,000 |
| June 1, 2034 | June 1, 2032 | \$1,990,000 |
| | June 1, 2033 | \$2,075,000 |
| | June 1, 2034* | \$1,805,000 |

*Final Maturity

At its option, to be exercised on or before the forty-fifth (45) day next preceding any such redemption date, the City may (i) deliver to the Registration Agent for cancellation Bonds of the maturity to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this section) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the City on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation shall be accordingly reduced. The City shall on or before the forty-fifth (45) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the Municipality not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the Municipality nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or

Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the Municipality pursuant to written instructions from an authorized representative of the Municipality (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein.

PAYMENT OF BONDS

The Bonds will bear interest from their date or from the most recent interest payment date to which interest has been paid or duly provided for, on the dates provided herein, such interest being computed upon the basis of a 360-day year of twelve 30-day months. Interest on each Bond shall be paid by check or draft of the Bond Registrar to the person in whose name such Bond is registered at the close of business on the 15th day of the month next preceding the interest payment date. The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of the Bond Registrar.

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BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent, Regions Bank, Nashville, Tennessee, its successor or the City will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent.

BOOK-ENTRY-ONLY SYSTEM

The Registration Agent, its successor or the Issuer will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Issuer in respect of such Bonds to the extent of the payments so made, except as described above. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

The Bonds, when issued, will be registered in the name of Cede & Co., DTC's partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry system maintained by DTC (the "Book-Entry-Only System"). One fully-registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

DTC and its Participants. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing

Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the U.S. Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

Payments of Principal and Interest. Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of Direct and Indirect Participants.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds

may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE ISSUER, THE UNDERWRITER, THE BOND COUNSEL, THE FINANCIAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

Transfers of Bonds. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the beneficial owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Issuer, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the Issuer determines to discontinue the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the Issuer will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to beneficial owners.

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer

believes to be reliable, but the Issuer, the Bond Counsel, the Registration Agent, the Financial Advisor and the Underwriter do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the beneficial owners of the Bonds. None of the Issuer, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the beneficial owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution. Also, please see the section entitled "SECURITIES OFFERED – Redemption."

DISPOSITION OF BOND PROCEEDS

The proceeds of the sale of the Bonds shall be applied by the City as follows:

- (a) any accrued interest shall be deposited to the appropriate fund of the City to be used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds; and
- (b) an amount, which together with investment earnings thereon and legally available funds of the City, if any, will be sufficient to pay principal of, premium, if any, and interest on the Outstanding Obligations shall be transferred to the Escrow Agent under the Refunding Escrow Agreement to be deposited to the Escrow Fund established thereunder to be held and applied as provided therein or otherwise applied to the payment of the Outstanding Obligations or if the services of an Escrow Agent are not used, shall be held by the City and applied to the payment of the Outstanding Obligations; and
- (c) the remainder of the proceeds of the sale of the Bonds shall be deposited with a financial institution regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency, in a special fund known and designated as the "2013 Construction Fund" to be kept separate and apart from all other funds of the City. The funds in the Construction Fund shall be disbursed solely to pay the (i) costs of the Projects and (ii) costs of and issuance of the Bonds, including necessary legal, accounting, engineering, and fiscal expenses, printing, advertising and similar expenses, administrative and clerical costs, Registration Agent fees, bond insurance premiums, if any. Money in the Construction Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such a statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in said Construction Fund. Money in the Construction Fund shall be expended only for the purposes authorized by this resolution. Any funds remaining in the Construction Fund after completion of the

Projects and payment of authorized expenses shall be applied to the payment of debt service on the Bonds. Moneys in the Construction Fund shall be invested as directed by the City in such investments as shall be permitted by applicable law. All income derived from such investments shall be retained in the Construction Fund and regarded as part thereof.

DISCHARGE AND SATISFACTION OF BONDS

If the City shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways:

1. By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;
2. By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers ("an Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving or such notice); and
3. By delivering such Bonds to the Registration Agent for cancellation by it.

If the City shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations (defined herein) deposited as aforesaid.

Except as otherwise provided in this section, neither Defeasance Obligations nor moneys deposited with the Registration Agent nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the City as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the City, as received by the Registration Agent. For the purposes hereof, Defeasance Obligations shall

mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described herein, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

REMEDIES OF BONDHOLDERS

Any owner of the Bonds shall have such remedies as provided by Title 9, Chapter 21, *Tennessee Code Annotated*, as amended.

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LEGAL MATTERS

LITIGATION

There are no claims against the City, including claims in litigation, which, in the opinion of the City, would materially affect the City's financial position as it relates to its ability to make payments on the Bonds. There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the City to sell or issue the Bonds.

TAX MATTERS

Federal

General. Bass, Berry & Sims PLC, Knoxville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the City and assuming compliance by the City with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986,
- is not a preference item for a bondholder under the federal alternative minimum tax, and
- is included in the adjusted current earnings of a corporation under the federal corporate alternative minimum tax.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes requirements on the Bonds that the City must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the City does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. The City has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the

Bonds or affect the market price of the Bonds. See also "Proposed Legislation and Other Matters" below in this heading.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Bonds, or under State, local or foreign tax law.

Bond Premium. If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Original Issue Discount. A Bond will have "original issue discount" if the price paid by the original purchaser of such Bond is less than the principal amount of such Bond. Bond Counsel's opinion is that any original issue discount on these Bonds as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in these Bonds will be increased. If a bondholder owns one of these Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

Changes In Federal And State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to Bonds issued prior to enactment. For example, the Fiscal Year 2014 Federal Budget proposed on April 10, 2013, by the Obama Administration recommends a 28% limitation on itemized deductions and "tax preferences," including "tax-exempt interest." The net effect of such proposal, if enacted into law, would be that an owner of a Bond with a marginal tax rate in excess of 28% would pay some amount of federal income tax with respect to the interest on such Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Knoxville, Tennessee, bond counsel. Bond counsel has not prepared the *Preliminary Official Statement* or the *Official Statement*, in final form, or verified their accuracy, completeness or fairness. Accordingly, bond counsel expresses

no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information in the section entitled “LEGAL MATTERS - Tax Matters.” The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the form of the opinion is included in APPENDIX A. For additional information, see the section entitled “MISCELLANEOUS” – “Competitive Public Sale”, “Additional Information” and “Continuing Disclosure.”

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MISCELLANEOUS

RATING

Standard & Poor's Corporation ("Standard & Poor's") has given the Bonds the rating of "AA".

There is no assurance that such ratings will continue for any given period of time or that the ratings may not be suspended, lowered or withdrawn entirely by Standard & Poor's, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds.

The rating reflects only the views of Standard & Poor's and any explanation of the significance of such rating should be obtained from Standard & Poor's.

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on July 18, 2013. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated July 15, 2013.

The successful bidder for the Bonds was an account led by Robert W. Baird & Co., Inc., Winston-Salem, North Carolina (the "Underwriters") who contracted with the City, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$23,619,206.08 (consisting of the par amount of the Bonds, less an underwriter's discount of \$194,314.87 and a net original issue premium of \$608,520.95) or 101.785% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

Financial Advisor. Cumberland Securities Company, Inc., Knoxville, Tennessee has been employed by the City to serve as its Financial Advisor. The Financial Advisor is an independently owned financial advisory firm.

Regions Bank. Regions Bank (the "Bank") is a wholly-owned subsidiary of Regions Financial Corporation. The Bank provides, among other services, commercial banking, investments and corporate trust services to private parties and to State and local jurisdictions, including serving as registration, paying agent or filing agent related to debt offerings. The Bank will receive compensation for its role in serving as Registration and Paying Agent for the Bonds.

In instances where the Bank serves the City in other normal commercial banking capacities, it will be compensated separately for such services.

Official Statements. Certain information relative to the location, economy and finances of the Issuer is found in the *Preliminary Official Statement*, in final form and the *Official Statement*, in final form. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the *Preliminary Official Statement*, in final form, and the *Official Statement*, in final form on behalf of the City and will be compensated and/or reimbursed for such distribution and other such services.

Bond Counsel. From time to time, Bass, Berry & Sims PLC has represented the Bank on legal matters unrelated to the City and may do so again in the future.

Other. Among other services, Cumberland Securities Company, Inc. and the Bank may also assist local jurisdictions in the investment of idle funds and may serve in various other capacities, including Cumberland Securities Company's roll as serving as the County's Dissemination Agent. If the City chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

DEBT LIMITATIONS

Pursuant to Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, there is no limit on the amount of bonds that may be issued when the City uses the statutory authority granted therein to issue bonds. (see APPENDIX B - Indebtedness and Debt Ratios for additional information.)

DEBT RECORD

There is no record of a default on principal and interest payments by the City from information available. Additionally, no agreements or legal proceedings of the City relating to securities have been declared invalid or unenforceable.

ADDITIONAL DEBT

The City has not authorized any additional debt at this time.

CONTINUING DISCLOSURE

The City will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2013 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the City. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with U.S. Securities and Exchange Commission Rule 15c2-12(b), as it may be amended from time to time (the "Rule").

Five-Year History of Filing. For the past five years, the City has complied in all material respects with its existing continuing disclosure agreements in accordance with SEC Rule 15c2-12.

Content of Annual Report. The City's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the City for the fiscal year, prepared in accordance with generally accepted auditing standards, provided, however, if the City's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available. The Annual Report shall also include in a similar format the following information included in APPENDIX B entitled "SUPPLEMENTAL INFORMATION STATEMENT."

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-20;
2. The indebtedness and debt ratios as of the end of such fiscal year, together with information about the property tax base as shown on pages B-21 and B-22;
3. Information about the Bonded Debt Service Requirements – General Obligation Fund as of the end of such fiscal year as shown on page B-23;
4. Information about Bonded Debt Service Requirements– Water and Sewer System as of the end of such fiscal year as shown on page B-24;
5. Information about Bonded Debt Service Requirements– Electric System as of the end of such fiscal year as shown on page B-25;
6. The fund balances and retained earnings for the fiscal year as shown on page B-27;

7. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-28;
8. Summary of Revenues, Expenditures and Changes in Fund Balances - Electric Fund for the fiscal year as shown on page B-29;
9. The estimated assessed value of property in the City for the tax year ending in such fiscal year and the total estimated appraised value of all taxable property for such year as shown on page B-33;
10. Property tax rates and tax collections of the City for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-34; and
11. The ten largest taxpayers as shown on page B-34.

Any or all of the items listed above may be incorporated by reference from other documents, including OFFICIAL STATEMENTS in final form for debt issues of the City or related public entities, which have been submitted to each of the MSRB or the U.S. Securities and Exchange Commission. If the document incorporated by reference is an OFFICIAL STATEMENT, in final form, it will be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. The City will file notice regarding material events with the MSRB and the SID, if any, as follows:

(A) within ten (10) Business Days following the occurrence of an event, notice of any of the following events with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (iv) substitution of any credit or liquidity providers, or their failure to perform;
- (v) issuance by the Internal Revenue Service of a proposed or final determination of taxability with respect to the Tax-Exempt Bonds; a Notice of Proposed Issues on IRS Form 5701-TEB with respect to the Tax-Exempt Bonds; adverse tax opinions or events affecting the Build America Bond or Recovery Zone Economic Development Bond status of the Taxable Bonds; other material notices or determination with respect to the tax status of the Bonds; or other event affecting the tax status of the Bonds;

- (vi) defeasances;
- (vii) rating changes;
- (viii) tender offers; and
- (ix) bankruptcy, insolvency, receivership or similar proceeding by the City;

(B) within ten (10) Business Days following the occurrence of an event, notice of any of the following events with respect to the Bonds, if material:

- (i) non-payment related defaults;
- (ii) modification to the rights of the beneficial owners of the Bonds;
- (iii) bond calls, other than bond calls relating to mandatory sinking fund redemption;
- (iv) release, substitution or sale of any property securing repayment of the Bonds;
- (v) mergers, consolidations, acquisition and sales of assets (other than in the ordinary course of business); and
- (vi) appointment of a successor or additional trustee or a change in the name of the trustee; and

(C) within ten (10) Business Days following the occurrence of a failure, notice of a failure of the City to provide the Annual Report or the required annual financial information described in (A) or (B) above on or before the date specified.

Termination of Reporting Obligation. The City's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the City may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Default. In the event of a failure of the City to comply with any provision of the Disclosure Certificate, any Bondholder or any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance.

ADDITIONAL INFORMATION

Use of the words "shall," "must," or "will" in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

The references, excerpts and summaries contained herein of certain provisions of the laws of the State of Tennessee, and any documents referred to herein, do not purport to be complete statements of the provisions of such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders thereof.

The PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement

between the City and the purchasers of any of the Bonds. Any statements or information printed in this PRELIMINARY OFFICIAL STATEMENT or the OFFICIAL STATEMENT, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

The City has deemed this OFFICIAL STATEMENT as “final” as of its date within the meaning of Rule 15c2-12(b) of the U.S. Securities and Exchange Commission.

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CERTIFICATION OF ISSUER

On behalf of the City, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

/s/ Tom Beehan
Mayor

ATTEST:

/s/ Diana Stanley
City Clerk

APPENDIX A

LEGAL OPINION

**LAW OFFICES OF
BASS, BERRY & SIMS PLC
900 SOUTH GAY STREET, SUITE 1700
KNOXVILLE, TENNESSEE 37902**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Oak Ridge, Tennessee (the "Issuer") of the \$23,205,000 General Obligation Bonds, Series 2013 (the "Bonds") dated August 15, 2013. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.

2. The resolutions of the City Council of the Issuer authorizing the Bonds have been duly and lawfully adopted, are in full force and effect and are valid and binding agreements of the Issuer enforceable in accordance with their terms.

3. The Bonds constitute general obligations of the Issuer to which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Issuer. The Bonds shall be additionally payable from and secured by a pledge of the revenues to be derived from the operation of the water and wastewater system of the Issuer (the "System"), subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System and to any pledges of such revenues in favor of prior lien obligations payable from the revenues of the System.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for purposes of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining adjusted current earnings. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason

of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolutions authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

The City of Oak Ridge, Tennessee (the "City") is located in the eastern portion of the scenic Tennessee River Valley between the Cumberland Mountains and the Southern Appalachians. Most of Oak Ridge is contained in a southern portion of Anderson County (the "County"). It is approximately 22 miles northwest of Knoxville. Scott, Campbell and Union Counties all border Anderson County to the north. Knox County borders Anderson County to the east. Morgan and Roane Counties border Anderson County to the west.

A portion of the City of Oak Ridge is also located in Roane County. This portion includes facilities run by the U.S. Department of Energy (the "DOE"): the Oak Ridge National Laboratory (the "ORNL") and the Y-12 National Security Complex (the "Y-12"). These facilities were built during World War II and produced uranium 235 for the first atomic bomb. The project was known as the "The Manhattan Project"

The City has considerable acreage of meadow and wooded hills within the 18 square miles of its residential and commercial area. Atlanta, Chattanooga, Nashville, Louisville, Lexington and Asheville are with 200 miles, connected by interstate highways. The Great Smoky Mountain National Park, the most visited of all the national parks, is within a 90 minute drive.

HISTORY OF OAK RIDGE

The City of Oak Ridge has a unique history. This area was selected by the United States government in 1942 as the location for its production plants for uranium 235, a component of the first atomic bomb. The original town site was built during World War II to house and furnish necessary facilities for the employees of the uranium plants. This project (known as the "Manhattan Project") was transferred to the Atomic Energy Commission in 1947, and the community was operated by contractors under the control of the Atomic Energy Commission. In 1955 the Atomic Energy Commission sold the homes and land to the residents. By 1959 the residents voted overwhelmingly in favor of incorporation under a modified city manager-council form of government.

The extensive energy research and development conducted by private and public agencies make the city one of the world's great research centers. The presence of the University of Tennessee, the ORNL, Oak Ridge Associated Universities and the Tennessee Valley Authority (the "TVA") makes Oak Ridge a prime location for research facilities, as well as technology-based and conventional manufacturing industries. Science is a worldwide business, and the facilities at the DOE in the City have attracted a large number of technical people and their families. The City is well prepared to accommodate families from abroad and the school system is equipped to ease language and cultural differences.

GENERAL

The City is part of the Knoxville Metropolitan Statistical Area (the "MSA") that had a population of 837,571 according to the 2010 US Census. The MSA includes Knox, Anderson, Blount, Campbell, Grainger, Loudon, Morgan, Roane and Union Counties.

The City is also part of the Knoxville-Sevierville-Harriman Combined Statistical Area (the "CSA"). According to the 2010 Census, the CSA had a population of 1,056,442. The CSA includes Roane, Anderson, Blount, Knox, Loudon, Union, Grainger, Hamblen, Jefferson, Campbell, Cocke and Sevier Counties. The City of Knoxville is the largest city in the CSA with a population of 178,874 according to the 2010 Census. The population of Anderson County is estimated to be 75,129 persons per the U.S. Bureau of the Census in 2010. The population of the City of Oak Ridge in 2010, according to the U.S. Bureau of the Census, was 29,330.

TRANSPORTATION

The City and County have access to several transportation facilities. Four state highways, Route 95, 61, 58, and 62, intersect in the County, and access to Interstates 75 and 40 is also available. The County is served by the CSX Railroad, Norfolk Southern Railroad, and L & N Railroad, bus lines and numerous truck lines. The nearest general aviation airport is located at Jacksboro, Tennessee, approximately 15 miles away from the County. There is also an airstrip at Oliver Springs, 5 miles outside Oak Ridge. Commercial air service is provided by McGhee Tyson Airport, a major commercial and freight air terminal at Alcoa, Tennessee about 25 miles away.

Oak Ridge borders the Clinch River's navigable waterway for 42 miles along the shores of Watts Bar and Melton Hill Lakes. These TVA waterways connect to the Tennessee River. Channelization of the Tennessee River to a 9-foot minimum navigable depth from its junction with the Ohio River at Paducah, Kentucky to Knoxville, Tennessee gives the County the benefits of year round, low cost water transportation and a port on the nation's 10,000 mile-inland waterway system. This system formed largely by the Mississippi River and its tributaries, effectively links the County with the Great Lakes to the north and the Gulf of Mexico to the south.

EDUCATION

There are two school systems located within the County. The *Oak Ridge City School System* operates seven schools covering pre-school through 12. The fall 2012 enrollment was about 4,365 students with 307 teachers. In addition to the City system, a parochial school also exists within the City limits covering grades one through eight with an enrollment of approximately 200 students. *Anderson County School System* has a very extensive school system made up of 16 schools countywide. These schools can be broken down into nine elementary schools, four middle schools, two high schools, and one vocational school. Anderson County had a fall 2012 enrollment of about 6,597 students for 512 teachers.

Source: Tennessee Department of Education.

Oak Ridge Associated Universities (the "ORAU") is a consortium of 98 colleges and universities and a contractor for the DOE located in Oak Ridge, Tennessee. Founded in 1946, ORAU

works with its member institutions that include the University of Tennessee and its satellite campuses. The purposes are to help their students and faculty gain access to federal research facilities throughout the country; to keep its members informed about opportunities for fellowship, scholarship, and research appointments; and to organize research alliances among its members. Through the Oak Ridge Institute for Science and Education, the DOE facility that ORAU operates, undergraduates, graduates, postgraduates, as well as faculty enjoy access to a multitude of opportunities for study and research. A pioneer in technology transfer, with historic contributions in nuclear medicine and health physics, ORAU today conducts specialized training in nuclear related areas of energy, health and the environment. Appointment and program length range from one month to four years. Many of these programs are especially designed to increase the numbers of underrepresented minority students pursuing degrees in science- and engineering-related disciplines.

Source: Oak Ridge Associated Universities, University of Tennessee at Chattanooga.

The University of Tennessee, Knoxville (the "UTK") is one of the oldest land-grant universities in the nation. There are 220 buildings on a 550 acre campus. Blount College, the UTK's forerunner, was established in Knoxville in 1794, two years before Tennessee became a state. With a fall 2012 enrollment of more than 27,018 students, UTK is the largest campus in the UT System. The University of Tennessee System is a statewide institution governed by a 26-member Board of Trustees appointed by the governor of Tennessee. Institutions of the UT system are UTK, UT Health Science Center in Memphis, UT Chattanooga, UT Martin, UT Space Institute in Tullahoma, and UT Institute for Public Service in Knoxville. In addition to the primary campus, the Agricultural Campus houses the UT Institute of Agriculture, a statewide administrative unit that includes the College of Veterinary Medicine, the College of Agricultural Sciences and Natural Resources, the Agricultural Extension Service and the Agricultural Experiment Stations.

UTK is a major research institution, attracting more than \$150 million in externally sponsored programs annually. The Division of Aeromedical Services is one of the country's most respected and comprehensive aeromedical programs. The university is a co-manager with Battelle of the nearby ORNL. UT-Battelle, LLC, was established in 2000 as a private not-for-profit company for the sole purpose of managing and operating the ORNL for the DOE. Formed as a 50-50 limited liability partnership between the University of Tennessee and Battelle Memorial Institute, UT-Battelle is the legal entity responsible delivering the DOE's research mission at ORNL. Faculty and students experience unparalleled research and learning opportunities at the DOE's largest science and energy lab.

The University conducts externally-funded research totaling more than \$300 million annually, including some \$17.3 million annually in research sponsored by ORNL. Areas of joint research with ORNL include the Bioenergy Science Center's work on cellulosic ethanol; the Center for Computational Sciences partnership with the National Science Foundation; and the Science Alliance, with divisions in biological, chemical, physical, and mathematical/computer science. UT/ORNL Joint Institutes and Centers include Biological Sciences, Computational Sciences, Neutron Sciences, Heavy Ion Research and the National Transportation Center.

Source: University of Tennessee, UT-Battelle and Knoxville News Sentinel.

Roane State Community College Oak Ridge Campus. Roane State Community College, which began operation in 1971 in Harriman, Tennessee, is a two-year higher education institution which serves a fifteen county area. Fall 2011 enrollment was about 6,906 students. Designed for students who plan to transfer to senior institutions, the Roane State academic transfer curricula include two years of instruction in the humanities, mathematics, natural sciences, and social sciences. Approximately 21 college transfer programs and/or options are offered by the college.

Roane State's 104-acre main campus is centrally located in Roane County where a wide variety of programs are offered. Roane State has nine locations across East Tennessee – the Roane County flagship campus; an Oak Ridge campus; campuses in Campbell, Cumberland, Fentress, Loudon, Morgan and Scott Counties; and a center for health science education in West Knoxville.

Source: Roane State Community College.

The Tennessee Technology Center at Harriman. The Tennessee Technology Center at Harriman is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The Technology Center at Harriman serves the eastern region of the state including Anderson, Loudon, Meigs, Morgan, Rhea, and Roane Counties. The Technology Center at Harriman began operations in 1970, and the main campus is located in Roane County. Fall 2010 enrollment was 583 students.

Source: Tennessee Technology Center at Harriman.

MEDICAL

Oak Ridge residents have access to two hospitals, Methodist Medical Center and Roane Medical Center, which are both affiliated with Covenant Health. Covenant Health is a comprehensive health system established in 1996 by the consolidation of Fort Sanders Health System, Knoxville, Tennessee, and MMC HealthCare System, parent company of Methodist Medical Center of Oak Ridge, Tennessee. With headquarters located in nearby Knoxville, the system provides comprehensive services throughout East Tennessee. It is also one of the largest employer in the area. The organization is governed by a voluntary board of directors composed of community leaders and medical professionals.

The *Methodist Medical Center of Oak Ridge* has 301 beds and 188 physicians representing at least 30 specialties from primary health care to open heart surgery. It is a full-service regional medical facility. Methodist Medical Center dates back to 1942 and became part of Covenant Health in 1996.

Source: Covenant Health and Methodist Medical Center.

Roane Medical Center has about 105 beds and a large medical staff of about 140 physicians and nurses. The general medical and surgical facility is located in Harriman. In 2008 it joined Covenant Health (based in Knoxville) as the sixth acute care facility in the health system. Construction in 2011 began on a new \$72 million facility (see "RECENT DEVELOPMENTS" for more information).

Source: Roane Medical Center.

SCIENCE AND ENERGY

Since the 1940's, the nuclear industry has been the largest employer for the City of Oak Ridge and Roane and Anderson Counties when a weapons fabrication division was built by the U.S. Corps of Engineers. As part of the secret World War II "Manhattan Project", the early task of the plant was the separation of fissionable uranium-235 from the more stable uranium-238 by an electro-magnetic process to be utilized in the world's first atomic bomb. Some 80,000 workers were hired for emergency construction of the laboratories and offices on the 56,000 acre site. At the peak of production during the war, 23,000 employees kept the separation units working at a cost of \$500 million for the entire project.

Today, the DOE occupies approximately 33,000 acres and almost 1,200 buildings within the Oak Ridge city limits, and employs over 13,000 in engineering, skilled and semi-skilled crafts, technical and administrative support. Since October 1999 The DOE has contracted with the University of Tennessee and Battelle to manage the ORNL. UT-Battelle began management of the lab on June 1, 2000. BWXT, Inc. is now the appointed contractor for the Y-12 Plant. DOE awarded its environmental cleanup contract to Bechtel Jacobs from 1997 to 2011. URS-CH2M Oak Ridge took over the cleanup contract in 2011.

The ORNL is a multiprogram science and technology laboratory managed for the DOE by UT-Battelle, LLC. Scientists and engineers at ORNL conduct basic and applied research and development to create scientific knowledge and technological solutions that strengthen the nation's leadership in key areas of science; increase the availability of clean, abundant energy; restore and protect the environment; and contribute to national security. ORNL also performs other work for the DOE, including isotope production, information management, and technical program management, and provides research and technical assistance to other organizations. The laboratory is a program of DOE's Oak Ridge Field Office.

ORNL also boasts having the Spallation Neutron Source (the "SNS") accelerator project and three supercomputers for scientific purposes. These unique projects bring about 3,000 scientists to visit each year for varying periods of time, and numerous small industries to be spun off from the experiments and findings. Each job created is expected to have an impact on housing, retail banking, automobile and transportation, hotels, restaurants, hospitals, and business services. Please see "RECENT DEVELOPMENTS" for more information.

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

Through interagency agreements, DOE's Oak Ridge facilities have launched a highly successful "work for others" program. Local firms contract with numerous federal agencies to provide services and products. The value of these contracts have grown from approximately \$50 million in 1983 to \$270 million in recent years.

The Y-12 National Security Complex is another large federal plant in Oak Ridge. The ongoing functions of the Y-12 plant are to support the DOE's weapons design labs, recover U-235 from spent nuclear weapons and provide support to other government agencies.

Y-12 has been undergoing a major modernization program. Y-12 is a key facility in the U.S. Nuclear Weapons Complex and is responsible for ensuring the safety, reliability, and security of the nuclear weapons stockpile and serves as the nation's primary repository of highly enriched uranium. Y-12 houses the country's stockpile of bomb-grade uranium, builds uranium bomb parts and dismantles nuclear weapon systems as needed to support a much smaller nuclear arsenal. National Nuclear Security Administration's (the "NNSA") is planning to transform the nuclear weapons complex to be smaller, more efficient and more cost effective. The goal is by 2020 to have only two facilities where there used to be 700 buildings.

A planned \$120 Million water treatment plant to capture Y-12 mercury runoff is expected to begin construction in 2017 and begin filtering 1,500 gallon a minute of water by 2020.

The \$549 million Highly Enriched Uranium Materials Facility at Y-12, a storage complex for weapons-grade uranium, was completed in late 2008. This storage facility replaced multiple aging facilities and allows for storage of its uranium stocks in one central location that represents maximized physical security with minimal vulnerabilities and operating costs. It is designed to protect the large cache of U-235 against any type of terrorist assault. The facility is currently over 85% storage capacity of bomb-grade uranium.

Contractors have already demolished dozens of World War II era buildings at Y-12, about a million square feet since 2001, to reduce the surveillance and maintenance costs, and to support the new programs. Some new office buildings already have been built, including the Jack Case Center that holds about a third of the workforce, or around 1,500 employees. This \$58 million, 420,000-square-foot office building was completed in the summer of 2007. A new 137,000-square-foot visitor's center and auditorium, for about \$18 million, was also completed in 2007.

Roane and Anderson Counties are also able to benefit from many other advanced technology and research and development based companies located in the area. The University of Tennessee, the Technology 2020 project and TVA are some of these companies that are in the area.

The University of Tennessee's flagship campus in Knoxville is home to a wide array of vigorous programs doing research on issues vital to the community, the state, the nation, and the world. The university has collaborative relationships with public and private agencies including ORNL, Battelle Memorial Institute (forming UT-Battelle), St. Jude Children's Research Hospital, the Memphis Bioworks Foundation, and the Boston-Baskin Cancer group (forming UT Cancer Institute).

TVA provides support, technology, expertise, and financial resources to existing businesses and industries in the Valley to help them grow and be more efficient and profitable. These resources include technical assistance, low-interest loans, and other tools needed by businesses for successful operation.

The Technology 2020 project was initiated in 1993 to capitalize on the unique resources of the East Tennessee region: the presence of the ORNL, UTK, the headquarters of the TVA, and a significant number of both large and small technology companies in the region. A \$4.5 million investment has been made by DOE, South Central Bell, the Tennessee Public Service Commission and Lockheed-Martin to set up a regional telecommunications laboratory. This economic development resource center is located in Oak Ridge's Commerce Park. An 18,000 square foot facility has been constructed on the 5.2 acre site. The facility will be used for testing and demonstrating new communications technologies and applications. It will offer video conferencing, training and multi-media presentation capabilities and a new business incubator for emerging companies. The facility is expected to be particularly important to rural communities that might not otherwise have access to advanced communications resources.

POWER PRODUCTION

Bull Run Fossil Plant. TVA's Bull Run Fossil Plant is located on Bull Run Creek near Oak Ridge in Anderson County. It is the only single-generator coal-fired power plant in the TVA system. When the generator went into operation in 1967, it was the largest in the world in the volume of steam produced. Bull Run has a single coal-fired generating unit. The winter net dependable generating capacity is about 870 megawatts. The plant consumes about 7,300 tons of coal a day. Bull Run's boiler, one of the largest in the United States, contains about 300 miles of tubes.

Electricity is generated at Bull Run by the process of heating water in a boiler to produce steam. Under extremely high pressure, the steam flows into a turbine that spins a generator to make electricity. Bull Run generates more than six billion kilowatt-hours of electricity a year, enough to supply about 430,000 homes. It has been ranked the most-efficient coal-fired plant in the nation 13 times and is consistently in the top five each year. In 2005, the plant achieved its best summer reliability ever, and in November of that year it set a plant record for continuous operation when it ran nonstop for 189 days with no unscheduled outages for maintenance or repairs.

To reduce sulfur dioxide (SO₂) emissions, Bull Run burns a blend of low-sulfur coal. Construction of a scrubber to further reduce SO₂ began in 2005 and is scheduled for completion in 2009. To reduce nitrogen oxides (NO_x), the plant uses a selective catalytic reduction system as well as combustion and boiler optimization controls. By 2010, TVA will have spent about \$5.7 billion on emission controls at its fossil-fuel plants to ensure that this power supply is generated as cleanly as possible, consistent with efficiency.

Kingston Fossil Plant. TVA's Kingston Fossil Plant is located on Watts Bar Reservoir on the Tennessee River near Kingston in Roane County. At the time it was finished in 1955, Kingston was the largest coal-burning power plant in the world, a distinction it held for more than a decade. Kingston has nine coal-fired generating units. The winter net dependable generating capacity is 1,456 megawatts. The plant consumes some 14,000 tons of coal a day.

Electricity is produced at each of Kingston's nine coal-fired units by the process of heating water in a boiler to produce steam. Under extremely high pressure, the steam flows into a turbine that spins a generator to make electricity. Kingston generates about 10 billion kilowatt-hours of electricity a year, enough to supply more than 700,000 homes.

To reduce sulfur dioxide (SO₂) emissions, all nine units use a blend of low-sulfur coal. Scrubbers are being added to the units to further reduce SO₂. This project will be completed in fiscal year 2010 at a cost of about \$500 million. To reduce nitrogen oxides (NO_x), all nine units operate with selective catalytic reduction systems, which reduce ozone-season NO_x emissions by 90 percent. In addition, Units 1 through 4 and Unit 9 use combustion controls and boiler optimization. Units 5 through 8 use low-NO_x burners. By 2010, TVA will have spent about \$6 billion on emissions controls at its fossil-fuel plants to ensure that this power supply is generated as cleanly as possible, consistent with efficiency.

Norris Dam. TVA's Norris Dam, the first dam TVA built, is located in Anderson County on the Clinch River. Construction of the Dam began in 1933, just a few months after the creation of TVA, and was completed in 1936. Norris Dam is 265 feet high and stretches 1,860 feet across the Clinch River. The generating capacity of Norris is 131,400 kilowatts of electricity. Norris Dam is a popular tourist and recreation destination, and in summer 2005 TVA opened a new visitor center at the dam. Visitors can learn about the history of Norris, hydropower operations, and TVA's management of the river system.

Source: Tennessee Valley Authority.

MANUFACTURING AND COMMERCE

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

Currently, there are several industrial parks in the County which were developed by the municipality, and a few parks which were developed by private firms. The number of tenants, the diversity of their products and total employment in these parks point to a stable and thriving economic sector. The *Municipal Industrial Park* was the first park to be developed by the County and has been fully privatized for some years.

The activities undertaken by these firms include generalized and highly specific tooling and machining operations; design and manufacture of instrumentation and measurement devices; design and fabrication of metal bellows, piping and damping systems; custom fabrication of aluminum and zinc die cast parts, design and manufacture of food packaging systems; super-conducting magnet design and fabrication; and decontamination, restoration and recycling of nuclear equipment components and materials.

Oak Ridge completed building the infrastructure for the 118-acre *Bethel Valley Industrial Park* in 1989. Twenty of the park's 28 sites, totaling approximately 80 acres, have been sold to industries providing more than 200 jobs.

The *Clinch River Industrial Park* is a 100-acre site that has been fully privatized since 1990. The Scientific Ecology Group, Inc. and International Technology Corporation (IT) occupy the 8 lots

within this park resulting in employment of approximately 1,300 individuals. Both firms operate decontamination waste facilities.

The *Clinton / I-75 Industrial Park* has about 40 acres near Interstate 75.

Commerce Park, a 300-acre fully planned industrial/research and development park developed by Lockheed Martin is strategically located as the northern anchor to the Technology Corridor. Approximately 150 acres have been sold to date to five firms, including Coors Technical Ceramics, Feintool Tennessee, M-4 Environmental, and the Oak Ridge Technical Center. The Technical Center is a 262,000 square foot office complex consisting of five structures, all of which are fully leased. Additionally, the park is home to the newly constructed Technology 2020, a \$4.5 million state of the art telecommunication center. Construction has begun on the adjacent 18,000 square foot entrepreneurial center which became Oak Ridge's second industrial incubator. The project was completed in early 1996. In addition to the industrial parks, Boeing Tennessee, Inc. has a facility occupying 210 acres that accounts for nearly 400 jobs.

Located on the west side of Oak Ridge, *The East Tennessee Technology Park* (ETTP) is a compilation of resource-rich industrial facilities which have their beginnings in the Manhattan Project during World War II. The site's original mission was to enrich uranium in the uranium 235 isotope for use in atomic weapons and subsequently for use in the commercial nuclear power industry. The plant was permanently shut down in 1987 and in 1996 reindustrialization went into effect with efforts focusing on restoration of the environment, decontamination and decommissioning of the facilities, and management of legacy wastes. The biggest task includes dismantlement and demolition of the K-25 building – a mile-long, U-shaped structure that was built to process uranium.

The ETTP site also serves as the test location of the next-generation enrichment technology under the U.S. Enrichment Corporation's American Centrifuge Program. This technology will allow the United States to maintain energy security through use of state-of-the-art materials, control systems and manufacturing processes to enrich uranium. Centrifuges are presently tested at the site for eventual use in a full-scale American Centrifuge Plant by the end of the decade. See "RECENT DEVELOPMENTS" for more information.

The goal is to create a brownfields industrial park known as *Heritage Center* under coordination of the Community Reuse Organization of East Tennessee. Also, near the ETTP site is Horizon Center, which includes more than 1,000 acres of pristine greenfield land that is available for private industrial use.

The Horizon Center is a new greenfield industrial park with more than 1,000 acres ready for immediate development. Horizon Center is a new site designed to provide building sites and amenities desired by high-tech companies while still preserving the area's scenic beauty. There are two corporate headquarters located in the park, with a total investment about \$33 million. About 477 people will be employed by the two corporate headquarters.

The *Valley Industrial Park*, a 90-acre site has more than 20 industrial facilities located within the Park accounting for approximately 500 jobs. The activities undertaken by firms in this park

include development and manufacturing of robotics devices; development of coating materials; manufacturing of security devices; integrated information management services; manufacturing of precision measuring devices; tooling and machining operations; rolling and fabrication of metal sheet products; and a waste management facility. See "RECENT DEVELOPMENTS" for more information.

Source: Knoxville News Sentinel.

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Listed below are the larger employers located in the County:

Major Employers in Anderson County¹

| <u>Name</u> | <u>Product</u> | <u>Employment</u> |
|--|---------------------------------------|-------------------|
| BWXT Y-12 | National Security | 5,040 |
| Oak Ridge National Lab ² | National Security | 4,565 |
| Anderson County | Government | 1,716 |
| Bechtel Jacobs Company LLC | Environmental Management | 1,337 |
| Methodist Medical Center | Health Care | 1,173 |
| Anderson County Schools | Education | 1,077 |
| Oak Ridge Associated Universities ¹ | Research & Development | 946 |
| Science Applications, Int'l. Corp. | IT Research & Engineering | 929 |
| Wackenhut-Oak Ridge Team | Security | 902 |
| UCOR | Environmental Engineering | 756 |
| Energy Solutions | Nuclear Engineering Services | 738 |
| Eagle Bend Manufacturing | Manufacturing | 700 |
| Oak Ridge Schools | Public School System | 681 |
| SL Tennessee | Manufacturing | 600 |
| SiTel | Customer Service Centers | 500 |
| ORNL Federal Credit Union | Financial Institution | 484 |
| Aisin Automotive Casting | Automotive Parts | 456 |
| City of Oak Ridge | Government Administration | 464 |
| Department of Energy (2 departments) | National Security | 440 |
| Navarro Research & Engineering | Engineering & Administrative Services | 438 |
| Carlisle Tire & Wheel | Manufacturing | 400 |
| Faris Enterprises (McDonalds) | Restaurants | 400 |
| Client Logic | Customer/Technical Service | 387 |
| USEC | Engineering Services | 330 |
| Jacobs Engineering | Environmental Management | 322 |
| Washington Group | Waste Management | 300 |
| Pro2Serve | National Security | 250 |
| Food Lion Corporation | Distribution | 250 |

¹ Contains employers located in both the counties the City of Oak Ridge lies in.

² Joint venture of University of Tennessee and Battelle

Source: Department of Economic & Community Development, Knoxville News Sentinel, Anderson County Audit and the City of Oak Ridge - 2012

EMPLOYMENT INFORMATION

For the month of February 2013, the unemployment rate for Oak Ridge stood at 7.2% with 13,110 persons employed out of a labor force of 14,130. For the month of February 2013 the unemployment rate for Anderson County stood at 7.4% with 33,290 persons employed out of a labor force of 35,940.

The Knoxville MSA's unemployment for February 2013 was at 6.7% with 339,870 persons employed out of a labor force of 364,370. As of February 2013, the unemployment rate in the Knoxville-Sevierville-Harriman CSA stood at 8.0%, representing 493,940 persons employed out of a workforce of 536,630.

| | Unemployment | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Annual Average | Annual Average | Annual Average | Annual Average | Annual Average |
| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| National | 5.8% | 9.3% | 9.6% | 8.9% | 8.1% |
| Tennessee | 6.4% | 10.5% | 9.7% | 9.2% | 8.0% |
| Oak Ridge | 5.1% | 8.5% | 8.2% | 7.7% | 7.4% |
| Index vs. National | 87 | 91 | 85 | 87 | 91 |
| Index vs. State | 80 | 81 | 84 | 84 | 92 |
| Anderson County | 5.7% | 9.9% | 9.0% | 8.4% | 7.8% |
| Index vs. National | 98 | 106 | 94 | 94 | 96 |
| Index vs. State | 89 | 94 | 93 | 91 | 97 |
| Knoxville MSA | 5.2% | 8.7% | 7.9% | 7.3% | 6.6% |
| Index vs. National | 90 | 94 | 82 | 82 | 81 |
| Index vs. State | 81 | 83 | 81 | 79 | 82 |
| Knoxville-Sevierville- Harriman CSA | 5.8% | 9.7% | 8.9% | 8.3% | 7.5% |
| Index vs. National | 100 | 104 | 93 | 93 | 93 |
| Index vs. State | 91 | 92 | 92 | 90 | 94 |

Source: Tennessee Department of Employment Security, CPS Labor Force Estimates Summary.

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ECONOMIC DATA

Per Capita Personal Income

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| National | \$39,506 | \$40,947 | \$38,637 | \$39,791 | \$41,560 |
| Tennessee | \$34,221 | \$35,112 | \$33,711 | \$35,103 | \$36,567 |
| Anderson County | \$33,005 | \$35,004 | \$33,389 | \$35,225 | \$36,289 |
| Index vs. National | 84 | 85 | 86 | 89 | 87 |
| Index vs. State | 96 | 100 | 99 | 100 | 99 |
| Knoxville MSA | \$34,383 | \$35,622 | \$34,135 | \$35,468 | \$36,958 |
| Index vs. National | 87 | 87 | 88 | 89 | 89 |
| Index vs. State | 100 | 101 | 101 | 101 | 101 |
| Knoxville-Sevierville-Harriman CSA | \$32,191 | \$33,334 | \$32,094 | \$33,397 | \$34,737 |
| Index vs. National | 81 | 81 | 83 | 84 | 84 |
| Index vs. State | 94 | 95 | 95 | 95 | 95 |

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Social and Economic Characteristics

| | <u>National</u> | <u>Tennessee</u> | <u>Anderson County</u> | <u>Clinton</u> | <u>Oak Ridge</u> |
|--|-----------------|------------------|------------------------|----------------|------------------|
| Median Value Owner Occupied Housing | \$186,200 | \$137,200 | \$121,300 | \$130,400 | \$142,100 |
| % High School Graduates or Higher Persons 25 Years Old and Older | 85.4% | 83.2% | 83.9% | 82.2% | 90.3% |
| % Persons with Income Below Poverty Level | 14.3% | 16.9% | 16.8% | 11.7% | 16.3% |
| Median Household Income | 52,762 | \$43,989 | \$44,872 | \$42,444 | \$53,419 |

Source: U.S. Census Bureau State & County QuickFacts - 2011.

TOURISM AND RECREATION

American Museum of Science and Energy. Drawing thousands of visitors from across the United States and abroad are the American Museum of Science and Energy and the Oak Ridge Graphite Reactor. More than 225,000 persons visit the Museum annually. The museum opened in 1949 in an old wartime cafeteria of the ORNL. Its guided tours took visitors through the peaceful uses of atomic energy. The present facility, opened in 1975, continues to provide the general public

with energy information. The museum includes historical photographs, documents and artifacts explaining the story of Oak Ridge and the Manhattan Project. There is an Exploration Station that offers self-directed activities which explore light and color, sound, problem-solving, static electricity, robotics, vision and more. It also includes exhibits on Y-12 and National Defense, the Earth's energy resources and nuclear reactors and energy.

The X-10 Graphite Reactor at ORNL, formerly known as the Clinton Pile and X-10 Pile, was the world's second artificial nuclear reactor and was the first reactor designed and built for continuous operation. The Graphite Reactor is open to the public and a National Historic Landmark. Also, an overlook display at the Oak Ridge Gaseous Diffusion Plant and facilities of the TVA is available for visitors.

Source: American Museum of Science and Energy.

Arboretum. The Arboretum is a project of the University of Tennessee Forest Resources Research and Education Center located in Oak Ridge. It generally hosts more than 30,000 visitors annually. This 250 acre research and education facility has over 2,500 native and exotic woody plant specimens that represent 800 species, varieties, and cultivars. The Arboretum serves as an outdoor classroom to university students in a variety of fields. It is also a place that provides a natural laboratory for research in plant uses, genetics and adaptability, insect and disease control, and the management of associated natural resources. The facility is recognized as an official Wildlife Observation Area and part of the National Watchable Wildlife Program by the Tennessee Wildlife Resources Agency. It is also recognized by the Holly Society of America as an official Holly test garden and the trails are part of the Tennessee Recreational Trail System.

Source: Forest Resources Research and Education Center.

Melton Hill Reservoir. TVA's Melton Hill Dam is located in Loudon County on the Clinch River. Melton Hill Reservoir extends almost 57 miles upstream from Melton Hill Dam to Norris Dam along the county lines of Loudon, Roane, Knox and Anderson Counties. Unlike other TVA reservoirs, Melton Hill is not used for flood control. But because it's used for power production, the level of the water in the reservoir fluctuates about four feet throughout the year. Melton Hill Reservoir has a nationally recognized rowing course and is a spring training site for collegiate teams from throughout the eastern United States. The reservoir has hosted a number of national championships. Melton Hill Reservoir extends the reach of barge traffic 38 miles up the Clinch River to Clinton, Tennessee, making the area attractive to industries that rely on this mode of transportation.

Source: Tennessee Valley Authority.

Parks nearby. Within 50 miles of the County are over a dozen lakeside resorts and State parks with cabins for rent, camping facilities, or both. The State parks - Cove Lake and Norris Dam in Campbell County, Big Ridge in Union County and Cumberland Mountain in Cumberland County - all offer cabins, camping and restaurants. Great Smoky Mountains National Park is a scenic seventy-five minute drive south of the County. Big South Fork National Recreation Area, with its top rated white water rafting, is only a sixty minute drive north.

Norris Reservoir. Norris Reservoir extends 73 miles up the Clinch River and 56 miles up the Powell from Norris Dam. It covers 5 counties: Anderson, Campbell, Union, Claiborne and Grainger

Counties. Norris provides 809 miles of shoreline and 33,840 acres of water surface. It is the largest reservoir on a tributary of the Tennessee River. Norris Reservoir is an important component of the system TVA set up to reduce the risks of these disasters. The area around the Clinch River receives more than 45 inches of rain a year. In the past, floodwaters on the Clinch sometimes inundated areas hundreds of miles downstream. The recreational use of Norris Reservoir exceeds that of any other tributary reservoir in the TVA river system. Water sports at Norris include boating, water skiing, swimming, and excellent fishing.

Source: Tennessee Valley Authority.

Watts Bar Reservoir. TVA's Watts Bar Dam is located along the Meigs and Rhea County line on the Tennessee River. Watts Bar Reservoir extends 72.4 miles northeast from the Dam to Fort Loudoun Dam through Rhea, Meigs, Roane and Loudon Counties. Watts Bar, located about midway between Knoxville and Chattanooga, is one of nine TVA dams on the Tennessee River. The reservoir attracts millions of recreation visits each year for boating, fishing, swimming, camping, and other outdoor activities. Watts Bar also creates a slack-water channel for navigation more than 20 miles up the Clinch River and 12 miles up its tributary, the Emory. The lock at Watts Bar handles more than a million tons of cargo a year, and the reservoir plays an important role in flood control. In conjunction with other tributary and main-river reservoirs above Chattanooga, it is of special value to that city, which is the point of greatest flood hazard in the Valley.

Source: Tennessee Valley Authority.

OTHER DEVELOPMENTS

Becromal. In 2012 Becromal, a manufacturer of aluminum foils for electrolytic capacitors, closed its facility in the Yarnell Industrial Park in Clinton. The company is moving the manufacturing to Iceland. About 30 workers were laid off.

Carter Logistics LLC. In late 2009 Carter Logistics began operations in an existing 48,000-square-foot building in the David Jones Industrial Park located in Andersonville. The trucking and distribution firm supports Toyota Motor Engineering and Manufacturing supply chain. About 75 employees were hired.

Centennial Apartments. A gated, 250 apartment complex with an estimated cost of \$23 million is being planned for Oak Ridge. The development has received a 10-year, fifty percent tax break from the City Council. Construction of the luxury apartments is expected to take 12-14 months to complete.

East Tennessee Technology Park. The former gaseous diffusion building is being torn down by the DOE as part of its program to convert the former K-25 site for use by private industry. The K-29 Building was part of a series of mammoth buildings to enrich uranium for weapons and fuel for nuclear power plants. The building went into operation in 1951 and was shut down in 1987. The building in size equates to 6 1/2 football fields under one roof. Demolition was completed at the end of 2007. The gigantic K-25 building, a mile long U-shaped structure that processed the uranium in WWII, was demolished in 2010.

Eagle Bend Manufacturing Inc. Eagle Bend began an expansion project to the 25-year-old plant in Clinton in 2012. The \$64 million project will create 188 new jobs over the next 5 years. The plant added another 100,000 square feet to the current 344,000 square feet. The company is an automotive part supplier for cars and light trucks worldwide. It is a division of Magna International Inc. of Canada.

Integrated Facilities Disposition Program. The DOE approved a massive \$14.5 billion Oak Ridge cleanup campaign. The cleanup program would demolish more than 400 contaminated buildings at ORNL and the Y-12 nuclear weapons plant. The program would also focus on mitigating polluted ground water at the sites and other actions to reduce environmental damage. The work began in 2011 and could take up to 25 years to complete.

The 2009 stimulus act passed by Congress gave the DOE Oak Ridge's office \$1.9 billion for environmental cleanup projects. The stimulus money sent directly for projects in Oak Ridge, \$1.2 billion, saved or created about 3,863 new jobs through sub-contracting construction-type jobs as well as technical and specialty positions associated with handling radioactive materials and evaluating environmental risks. The clean-up money was divided among four sites: \$239 million to ORNL, \$292 million to Y-12, \$144 million to East Tennessee Technology Park and \$80 million to the Transuranic Waste Processing Center. At Y-12 alone, seven cleanup projects created 2,000 jobs, demolished about 150,000 square feet of old buildings and got rid of about 74,000 cubic meters of waste. All clean-up projects have an extended deadline of 2014.

Oak Ridge National Laboratory. In 2011 ORNL cut 350 jobs to prepare for anticipated federal budget cuts in the Fiscal Year 2011-2012. In late 2010 the national lab employed 4,705.

ORNL is in the final stages of a \$300 million project to provide a modern campus for the next generation of great science. A unique combination of federal, state and private funds is building 13 new facilities. Included in these new facilities will be the Laboratory for Comparative and Functional Genomics, the Center for Nanophase Materials Sciences, the Advanced Microscopy Laboratory, the Oak Ridge Center for Advanced Studies and the joint institutes for computational sciences, biological sciences, and neutron sciences. ORNL has been selected as the site of the Office of Science's National Leadership Computing Facility for unclassified high-performance computing.

In early 2009 and in 2012 ORNL dedicated two solar arrays, respectively. The first one is a 288-foot span of solar array panels that provides 51.25 kilowatts of power to the lab's grid. The latest array cost \$800,000 and provides 200 kilowatts. These arrays will offset nearly half of the power use in one of ORNL's research facilities and expand a green initiative known as the "sustainable campus" project.

ORNL is also completing a series of upgrades at the High Flux Isotope Reactor. This ORNL facility is sometimes referred to as the lab's "other" billion-dollar machine. It is the world's most powerful research reactor, and it is used to perform experiments similar to - but different from - those to be done at the Spallation Neutron Source.

In the summer of 2009 ORNL broke ground on a \$95 million chemistry laboratory funded with federal stimulus money. The new 160,000-square-foot Chemical and Materials Science

Building replaced old labs in a 1950s-era structure across the street from the construction site. Completion was in the summer of 2011. In 2010 a new \$8.9 million Guest House was built on the ORNL campus. It houses visiting scientists and researchers that come to work at the world-class facility. The min-hotel has 47 units.

ORNL Credit Union. The ORNL Credit Union opened its \$30 million corporate headquarters in the Horizon Center in 2011. The consolidation of operations in Anderson and Knox Counties will employ about 257 people, with an additional 100 more workers hired in the next 10-15 years.

Restoration Services Inc. In 2010 RSI consolidated its two offices into one at the Horizon Center with an estimated \$3 million, 30,000-square-foot corporate headquarters. An estimated 120 workers were hired once completed.

SL America. An automotive parts supplier, SL America, expanded its Clinton facility in 2010 and added about 300 new jobs upon completion. The expansion cost about \$35 million and added another 100,000 square feet to the existing 164,000-square-foot plant. Construction began in early 2010 and was completed in 2011. The expansion is due to the new Volkswagen automotive plant north of Chattanooga, TN. The company employees about 130 people currently. SL America Corporation has three facilities in North America and more than 6,000 employees world-wide.

Spallation Neutron Source. The world's most powerful neutron science project is the Spallation Neutron Source (the "SNS") at ORNL. The giant research complex, spread across 75 acres on Chestnut Ridge a couple of miles from the main ORNL campus, is the world's top source of neutrons for experiments. The SNS is an accelerator-based neutron source built in Roane County by the DOE. The SNS provides the most intense pulsed neutron beams in the world for scientific research and industrial development. At a total cost of \$1.4 billion, construction began in 1999 and was completed in 2006. In 2009, SNS reached full power when it set the world record in producing beam power three times more powerful than the previous world record. More neutrons are produced with a higher beam power.

Neutron-scattering research has a lot to do with everyday lives. For example, things like jets; credit cards; pocket calculators; compact discs, computer disks, and magnetic recording tapes; shatter-proof windshields; adjustable seats; and satellite weather information for forecasts have all been improved by neutron-scattering research. Neutron research also helps researchers improve materials used in high-temperature superconductors, powerful lightweight magnets, aluminum bridge decks, and stronger, lighter plastic products. The medical field will also be impacted with new drugs and medicines expected from experiments at the SNS.

Supercomputer. ORNL's supercomputers are housed in a recently constructed 170,000-square-foot facility that includes 449 staff and 40,000 square feet of space for computer systems and data storage. The National Oceanic and Atmospheric Administration's (the "NOAA") sponsor the newest supercomputer funded with Recovery Act money. The DOE and the National Science Foundation (the "NSF") sponsors the original two supercomputers, one of which is now replaced.

NOAA awarded Cray and ORNL a \$47 million contract to provide a third supercomputer, the "Titan", to work on climate research. The NSF awarded the University of Tennessee, ORNL and other institutions a \$65 million grant in 2007 to build "Kraken". The DOE awarded ORNL and its development partners – Cray Inc., IBM Corp. and Silicon Graphics Inc. - \$25 million in funding to build both "Jaguars", which are now obsolete and replaced as of 2012.

The newest Cray supercomputer, the "Titan", was online in late 2012 after several years of development to replace the two "Jaguar" supercomputers at ORNL. The "Titan" was listed as the world's fastest computer in late 2012 (the fourth time a computer from ORNL has achieved that distinction since 1953). Its purpose is to support research in energy, climate change, efficient engines and materials science. "Titan" has been billed as a 17.5-petaflops machine, which means it is capable of a peak performance of about 17,500 trillion (or 17.5 quadrillion) mathematical calculations per second. That speed is about 10 times the capability of the first "Jaguar", which at one time was the world's fastest computer. The total cost of the "Titan" is estimated to be about \$100 million, but about \$20 was saved by reusing much of the "Jaguar" structure. Another petaflops machine, known as the "Kraken", came online in early 2009 to work on a range of scientific challenges, such as climate change and new medicines. UT's "Kraken" is housed with the ORNL's "Titan".

The new machines will work on breakthrough discoveries in biology, fusion energy, climate prediction, nanoscience and many other fields that will fundamentally change both science and its impact across society.

Technology 2020. A \$4.5 million investment has been made by DOE, South Central Bell, the Tennessee Public Service Commission and Lockheed-Martin to set up a regional telecommunications laboratory and has been termed the area's "on-ramp to the information highway". This economic development resource center is located in Oak Ridge's Commerce Park. An 18,000 square foot facility has been constructed on the 5.2 acre site. The facility will be used for testing and demonstrating new communications technologies and applications. It will offer video conferencing, training and multi-media presentation capabilities and a new business incubator for emerging companies. The facility is expected to be particularly important to rural communities that might not otherwise have access to advanced communications resources.

U.S. Enrichment Corporation's American Centrifuge Program ("USEC"). USEC supplies fuel for commercial nuclear power plants. It began a \$105 million production at the Oak Ridge site vacated by Boeing Inc to build centrifuges for a huge uranium-enrichment facility in Ohio. The company does the engineering and design for centrifuges at its leased building near the Boeing facility and tests them at East Tennessee Technology Park, or the former K-25 uranium enrichment site. USEC began in 2007 construction of its American Centrifuge Plant in Ohio. That project cost \$2.3 billion and uses hundreds of centrifuges made in Oak Ridge to enrich uranium. The company has been awarded a 10-year, 50 percent property tax break by the City of Oak Ridge.

In 2009 USEC had to lay off more than 150 workers (both USEC employees and contractors) in Oak Ridge due to a delay in receiving the loan guarantee from the DOE. Nearly 500 jobs were cut from the plant in Ohio.

Y-12 National Security Complex. The Uranium Processing Facility (the “UPF”) Project, cornerstone of Y-12's new modernization strategy, will replace current enriched uranium and other processing operations. It will replace Y-12's main production center and cost billions of dollars. The design phase began in 2006, construction began in 2009, and operation should start in 2013. Construction of the UPF will accelerate consolidation of aging facilities, bringing production operations currently housed in multiple buildings together, reducing the size of the plant's highest security area by 90 percent, improving the overall security posture, making the plant more secure and saving millions of dollars in annual operating costs.

Source: City of Oak Ridge, ORNL, Y-12 National Security Complex and the Knoxville News Sentinel.

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CITY OF OAK RIDGE, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS
As of August 15, 2013

| AMOUNT ISSUED | PURPOSE | DUE DATE | INTEREST RATE(S) | OUTSTANDING AS OF JUNE 30, 2013 |
|------------------------|--|-------------|---------------------|------------------------------------|
| \$ 7,400,000 | (4) General Obligation Loan, Series 1995 | May 2023 | Variable | (8) \$ 3,372,500 |
| 1,000,000 | General Obligation Loan, Series 2001 | May 2017 | Variable | (8) 341,000 |
| 14,720,000 | (5) General Obligation Refunding Bonds, Series 2003 | Jun 2023 | Fixed | 4,730,000 |
| 16,197,000 | (2) State Revolving Fund Wastewater Loan, Series 1998, 1999 & 2003 | Jun 2022 | Fixed | 15,228,803 |
| 3,000,000 | (2) Water & Sewer Revenue & Tax Loan, Series 2001 | May 2022 | Variable | (8) 1,711,000 |
| 12,425,000 | (3) Electric Revenue Refunding Bonds, Series 2003 | Jun 2018 | Fixed | 2,980,000 |
| 7,049,360 | Qualified Zone Academy Bonds, Series 2004 | Nov 2020 | Fixed | 4,075,347 |
| 15,000,000 | Local Gov. Public Imp. Bonds, Series B-9-A | Jun 2025 | Fixed | 14,300,000 |
| 9,000,000 | (6) General Obligation Loan, Series 2006 | May 2026 | Variable | (8) 6,616,000 |
| 5,325,000 | Local Gov. Public Imp. Bonds, Series B-11-A | Jun 2038 | Fixed | 5,325,000 |
| 11,000,000 | (10) General Obligation Loan, Series 2008 | May 2027 | Variable | (8) 11,000,000 |
| 27,285,000 | (7) General Obligation Refunding Bonds, Series 2009 | Jun 2025 | Fixed | 27,285,000 |
| 21,140,000 | (9) Local Gov. Public Imp. Bonds, Series VII-E-1 | Jun 2036 | Synthetic Fixed | (8) 21,140,000 |
| 20,000,000 | (11) General Obligation Bonds, Series 2009B | Jun 2041 | Fixed | 20,000,000 |
| 4,735,000 | (9) Local Gov. Public Imp. Bonds, Series VI-M-1 | Jun 2036 | Synthetic Fixed | (8) 4,735,000 |
| 5,240,000 | General Obligation Refunding Bonds, Series 2010 | Jun 2021 | Fixed | 4,035,000 |
| 7,420,000 | General Obligation Refunding Bonds, Series 2011 | Apr 2015 | Fixed | 2,325,000 |
| 9,810,000 | (2) General Obligation Bonds, Series 2011B | Jun 2028 | Fixed | 9,710,000 |
| 5,000,000 | (2) General Obligation Loan, Series 2012 | June 2033 | Variable | 5,000,000 |
| \$ 202,746,360 | TOTAL BONDED DEBT | | | \$ 163,909,650 |
| 23,205,000 | Plus: General Obligation Bonds, Series 2013 | June 2013 | Fixed | (12) 23,205,000 |
| (30,917,000) | Less: Refunded Bonds | Apr 2015 | Fixed | (19,818,697) |
| \$ (61,747,718) | Less: Revenue-Supported Debt | | | (72,148,553) |
| \$ 133,286,642 | NET BONDED DEBT | | | \$ 95,147,400 |

NOTES:

- (1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.
- (2) Revenue & Tax Supported bonds.
- (3) Revenue Supported bonds.
- (4) Water and Wastewater system revenues support \$2,803,735 of this outstanding debt.
- (5) Water and Wastewater system revenues support \$1,385,000 of this outstanding debt.
- (6) Water and Wastewater system revenues support \$4,408,896 of this outstanding debt, while the Electric system revenues support the remaining \$2,207,104.
- (7) The Electric system revenues support \$10,070,000 of this outstanding debt.
- (8) The City budgets to account for interest rate and/or basis risk. For more information, see the notes to the Financial Statements in the CAFR.
- (9) The Borrower's Series VII-E-1 obligation refunded the Borrower's Series VI-D-3 obligation and \$11,000,000 of the VI-H-1 obligation. The Authority on behalf of the Borrower has entered into interest rate swap agreements with respect to Series VI-D-3 and VI-H-1 Bonds. The interest rate swap agreement with respect to the Series VI-D-3 Bonds still remains outstanding and serves as a hedge for the portion of the Series VII-E-1 Bonds allocated to the refunding of the Series VI-D-3 Bonds. The interest rate swap agreement with respect to the Series VI-H-1 Bonds still remains outstanding and serves as a hedge for the portion of the Series VII-E-1 Bonds allocated to the refunding of the Series VI-H-1 Bonds and for the Series VI-M-1 Bonds.
- (10) The Water & Wastewater system revenues support \$1,794,416 of this outstanding debt. The Electric system revenues support \$1,453,296 of this outstanding debt.
- (11) The Water & Wastewater system revenues support \$5,000,000 of this outstanding debt. The Electric system revenues support \$5,000,000 of this outstanding debt.
- (12) True Interest Cost 3.7145492%. The Water & Wastewater system revenues support \$19,870,000 of this outstanding debt.

CITY OF OAK RIDGE, TENNESSEE
Indebtedness and Debt Ratios

INTRODUCTION

The information set forth in the following table is based upon information derived in part from the CAFR and the table should be read in conjunction with those statements. The table does not include future funding plans whether disclosed or not in this Official Statement.

| INDEBTEDNESS | For the Fiscal Year Ended June 30 | | | | | After Issuance 2013 |
|--|-----------------------------------|----------------------|----------------------|----------------------|----------------------|------------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | |
| TAX SUPPORTED | | | | | | |
| General Obligation Bonds & Notes | \$97,898,602 | \$94,834,739 | \$101,732,655 | \$98,324,237 | \$94,852,818 | \$91,112,400 |
| Golf Course | \$5,810,000 | \$5,545,000 | \$5,240,000 | \$4,860,000 | \$4,455,000 | \$4,035,000 |
| TOTAL TAX SUPPORTED | \$103,708,602 | \$100,379,739 | \$106,972,655 | \$103,184,237 | \$99,307,818 | \$95,147,400 |
| REVENUE SUPPORTED | | | | | | |
| Water & Sewer Revenue Bonds & Notes | 29,441,155 | 28,054,310 | 35,628,150 | 35,108,209 | 48,791,527 | 50,438,212 |
| Electric Revenue Bonds & Notes | 22,106,540 | 21,097,453 | 25,054,029 | 23,970,934 | 22,848,169 | 21,710,400 |
| TOTAL REVENUE SUPPORTED | \$51,547,695 | \$49,151,763 | \$60,682,179 | \$59,079,143 | \$71,639,696 | \$72,148,611 |
| TOTAL DEBT | \$155,256,297 | \$149,531,502 | \$167,654,834 | \$162,263,380 | \$170,947,514 | \$167,296,011 |
| Less: Revenue Supported Debt | (\$51,547,695) | (\$49,151,763) | (\$60,682,179) | (\$59,079,143) | (\$71,639,696) | (\$72,148,611) |
| Less: Debt Service Fund | (7,082,125) | (6,113,799) | (12,313,862) | (11,993,611) | (11,029,837) | (11,029,837) |
| NET DIRECT DEBT | \$96,626,477 | \$94,265,940 | \$94,658,793 | \$91,190,626 | \$88,277,981 | \$84,117,563 |
| OVERLAPPING DEBT (1) | 19,311,836 | 17,057,204 | 16,209,586 | 20,048,340 | 20,625,778 | 20,625,778 |
| NET DIRECT & OVERLAPPING DEBT | \$115,938,313 | \$111,323,144 | \$110,868,379 | \$111,238,966 | \$108,903,759 | \$104,743,341 |
| PROPERTY TAX BASE (2) | | | | | | |
| Estimated Actual Value | \$ 2,634,831,284 | \$ 2,688,433,196 | \$ 2,869,530,816 | \$ 2,725,338,129 | \$ 2,718,022,199 | \$ 2,693,276,719 |
| Appraised Value | 2,237,060,088 | 2,282,466,579 | 2,317,256,108 | 2,725,338,129 | 2,718,022,199 | 2,693,276,719 |
| Assessed Value | 678,089,443 | 687,464,832 | 695,472,776 | 813,836,892 | 809,735,786 | 804,659,163 |

(1) OVERLAPPING DEBT Includes the City's share of Anderson and Roane County's Net Direct Debt.

(2) The Property Tax Base figures are based on both Counties the City is located in, Anderson and Roane County.

Source: Comprehensive Annual Financial Report for City of Oak Ridge, Tennessee and City Officials.

| DEBT RATIOS | For the Fiscal Year Ended June 30 | | | | | After Issuance 2013 |
|--|-----------------------------------|----------|----------|----------|----------|------------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | |
| TOTAL DEBT to Estimated Actual Value | 5.89% | 5.56% | 5.84% | 5.95% | 6.29% | 6.21% |
| TOTAL DEBT to Appraised Value | 6.94% | 6.55% | 7.24% | 5.95% | 6.29% | 6.21% |
| TOTAL DEBT to Assessed Value | 22.90% | 21.75% | 24.11% | 19.94% | 21.11% | 20.79% |
| NET DIRECT DEBT to Estimated Actual Value | 3.67% | 3.51% | 3.30% | 3.35% | 3.25% | 3.12% |
| NET DIRECT DEBT to Appraised Value | 4.32% | 4.13% | 4.08% | 3.35% | 3.25% | 3.12% |
| NET DIRECT DEBT to Assessed Value | 14.25% | 13.71% | 13.61% | 11.21% | 10.90% | 10.45% |
| OVERLAPPING DEBT to Estimated Actual Value | 0.73% | 0.63% | 0.56% | 0.74% | 0.76% | 0.77% |
| OVERLAPPING DEBT to Appraised value | 0.86% | 0.75% | 0.70% | 0.74% | 0.76% | 0.77% |
| OVERLAPPING DEBT to Assessed Value | 2.85% | 2.48% | 2.33% | 2.46% | 2.55% | 2.56% |
| NET DIRECT & OVERLAPPING DEBT to Estimated Actual Value | 4.40% | 4.14% | 3.86% | 4.08% | 4.01% | 3.89% |
| NET DIRECT & OVERLAPPING DEBT to Appraised Value | 5.18% | 4.88% | 4.78% | 4.08% | 4.01% | 3.89% |
| NET DIRECT & OVERLAPPING DEBT to Assessed Value | 17.10% | 16.19% | 15.94% | 13.67% | 13.45% | 13.02% |
| PER CAPITA RATIOS | | | | | | |
| POPULATION (1) | 27,543 | 27,751 | 29,330 | 29,351 | 29,320 | 29,320 |
| PER CAPITA PERSONAL INCOME (2) | \$35,622 | \$34,135 | \$35,468 | \$36,958 | \$36,958 | \$36,958 |
| Estimated Actual Value to POPULATION | 95,662 | 96,877 | 97,836 | 92,853 | 92,702 | 91,858 |
| Assessed Value to POPULATION | 24,619 | 24,773 | 23,712 | 27,728 | 27,617 | 27,444 |
| Total Debt to POPULATION | 5,637 | 5,388 | 5,716 | 5,528 | 5,830 | 5,706 |
| Net Direct Debt to POPULATION | 3,508 | 3,397 | 3,227 | 3,107 | 3,011 | 2,869 |
| Overlapping Debt to POPULATION | 701 | 615 | 553 | 683 | 703 | 703 |
| Net Direct & Overlapping Debt to POPULATION | 4,209 | 4,012 | 3,780 | 3,790 | 3,714 | 3,572 |
| Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME | 15.82% | 15.79% | 16.12% | 14.96% | 15.78% | 15.44% |
| Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME | 9.85% | 9.95% | 9.10% | 8.41% | 8.15% | 7.76% |
| Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME | 1.97% | 1.80% | 1.56% | 1.85% | 1.90% | 1.90% |
| Net Direct & Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME | 11.82% | 11.75% | 10.66% | 10.25% | 10.05% | 9.67% |

(1) Per Capita computations are based upon POPULATION data according to the U.S. Census.

(2) PER CAPITA PERSONAL INCOME is based upon the most current data available from the U. S. Department of Commerce.

CITY OF OAK RIDGE, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - General Obligation
For Fiscal Year Starting July 1, 2013, as of August 15, 2013

| F.Y. Ended 6/30 | Existing Debt - General Obligation (1) | | | | Plus: General Obligation Bonds, Series 2013 | | | Less: Refunded Bonds | | | Total Bonded Debt Service Requirements(1) | | | | % Principal Repaid |
|--------------------|--|----------------------|-----------------------|-----------------------|---|-------------------|---------------------|-----------------------|---------------------|-----------------------|---|----------------------|-----------------------|-----------------------|-----------------------|
| | Principal | Interest | Treasury Subsidy | TOTAL | Principal | Interest (3) | TOTAL | Principal | Interest | TOTAL | Principal | Interest (2) | Treasury Subsidy | TOTAL | |
| 2014 | \$ 4,128,418 | \$ 4,144,717 | \$ (211,706) | \$ 8,061,429 | 685,000 | 52,989 | 737,989 | (660,000) | (133,800) | (793,800) | 4,153,418 | 4,063,907 | (211,706) | 8,217,325 | |
| 2015 | 4,242,419 | 4,045,375 | (211,203) | 8,076,591 | 1,300,000 | 53,000 | 1,353,000 | (1,305,000) | (107,400) | (1,412,400) | 4,237,419 | 3,990,975 | (211,203) | 8,228,394 | |
| 2016 | 4,166,418 | 3,918,540 | (209,016) | 7,875,942 | 1,350,000 | 27,000 | 1,377,000 | (1,380,000) | (55,200) | (1,435,200) | 4,136,418 | 3,890,340 | (209,016) | 8,026,758 | |
| 2017 | 4,527,140 | 3,765,150 | (209,016) | 8,083,274 | - | - | - | - | - | - | 4,527,140 | 3,765,150 | (209,016) | 8,292,290 | |
| 2018 | 4,499,745 | 3,582,240 | (206,916) | 7,875,069 | - | - | - | - | - | - | 4,499,745 | 3,582,240 | (206,916) | 8,081,985 | 22.65% |
| 2019 | 4,629,669 | 3,423,525 | (206,916) | 7,846,279 | - | - | - | - | - | - | 4,629,669 | 3,423,525 | (206,916) | 8,053,194 | |
| 2020 | 4,469,930 | 3,262,001 | (202,059) | 7,529,872 | - | - | - | - | - | - | 4,469,930 | 3,262,001 | (202,059) | 7,731,931 | |
| 2021 | 4,645,564 | 3,079,728 | (202,059) | 7,523,233 | - | - | - | - | - | - | 4,645,564 | 3,079,728 | (202,059) | 7,725,292 | |
| 2022 | 4,097,183 | 2,888,696 | (202,059) | 6,783,819 | - | - | - | - | - | - | 4,097,183 | 2,888,696 | (202,059) | 6,985,879 | |
| 2023 | 4,298,626 | 2,702,497 | (202,059) | 6,799,064 | - | - | - | - | - | - | 4,298,626 | 2,702,497 | (202,059) | 7,001,123 | 45.92% |
| 2024 | 4,075,000 | 2,501,309 | (202,059) | 6,374,250 | - | - | - | - | - | - | 4,075,000 | 2,501,309 | (202,059) | 6,576,309 | |
| 2025 | 3,805,000 | 2,301,434 | (202,059) | 5,904,375 | - | - | - | - | - | - | 3,805,000 | 2,301,434 | (202,059) | 6,106,434 | |
| 2026 | 4,020,000 | 2,130,397 | (191,231) | 5,959,165 | - | - | - | - | - | - | 4,020,000 | 2,130,397 | (191,231) | 6,150,397 | |
| 2027 | 3,857,288 | 1,934,047 | (178,150) | 5,613,185 | - | - | - | - | - | - | 3,857,288 | 1,934,047 | (178,150) | 5,791,335 | |
| 2028 | 2,015,000 | 1,744,519 | (165,813) | 3,593,706 | - | - | - | - | - | - | 2,015,000 | 1,744,519 | (165,813) | 3,759,519 | 64.60% |
| 2029 | 1,985,000 | 1,639,769 | (157,413) | 3,467,356 | - | - | - | - | - | - | 1,985,000 | 1,639,769 | (157,413) | 3,624,769 | |
| 2030 | 2,045,000 | 1,545,369 | (151,113) | 3,439,256 | - | - | - | - | - | - | 2,045,000 | 1,545,369 | (151,113) | 3,590,369 | |
| 2031 | 1,820,000 | 1,448,844 | (144,813) | 3,124,031 | - | - | - | - | - | - | 1,820,000 | 1,448,844 | (144,813) | 3,268,844 | |
| 2032 | 4,315,000 | 1,366,944 | (144,813) | 5,537,131 | - | - | - | - | - | - | 4,315,000 | 1,366,944 | (144,813) | 5,681,944 | |
| 2033 | 4,515,000 | 1,172,769 | (144,813) | 5,542,956 | - | - | - | - | - | - | 4,515,000 | 1,172,769 | (144,813) | 5,687,769 | 80.03% |
| 2034 | 2,295,000 | 969,594 | (144,813) | 3,119,781 | - | - | - | - | - | - | 2,295,000 | 969,594 | (144,813) | 3,264,594 | |
| 2035 | 2,390,000 | 866,319 | (144,813) | 3,111,506 | - | - | - | - | - | - | 2,390,000 | 866,319 | (144,813) | 3,256,319 | |
| 2036 | 2,490,000 | 758,769 | (144,813) | 3,103,956 | - | - | - | - | - | - | 2,490,000 | 758,769 | (144,813) | 3,248,769 | |
| 2037 | 2,600,000 | 646,719 | (144,813) | 3,101,906 | - | - | - | - | - | - | 2,600,000 | 646,719 | (144,813) | 3,246,719 | |
| 2038 | 2,725,000 | 532,969 | (144,813) | 3,113,156 | - | - | - | - | - | - | 2,725,000 | 532,969 | (144,813) | 3,257,969 | 93.17% |
| 2039 | 2,500,000 | 413,750 | (144,813) | 2,768,938 | - | - | - | - | - | - | 2,500,000 | 413,750 | (144,813) | 2,913,750 | |
| 2040 | 2,500,000 | 260,000 | (91,000) | 2,669,000 | - | - | - | - | - | - | 2,500,000 | 260,000 | (91,000) | 2,760,000 | |
| 2041 | 1,500,000 | 97,500 | (34,125) | 1,563,375 | - | - | - | - | - | - | 1,500,000 | 97,500 | (34,125) | 1,597,500 | 100.00% |
| | <u>\$ 95,157,400</u> | <u>\$ 57,143,488</u> | <u>\$ (4,739,284)</u> | <u>\$ 147,561,604</u> | <u>\$ 3,335,000</u> | <u>\$ 132,989</u> | <u>\$ 3,467,989</u> | <u>\$ (3,345,000)</u> | <u>\$ (296,400)</u> | <u>\$ (3,641,400)</u> | <u>\$ 95,147,400</u> | <u>\$ 56,980,078</u> | <u>\$ (4,739,284)</u> | <u>\$ 152,127,478</u> | |

NOTES:

- (1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.
(2) The City budgets to account for interest rate and/or basis risk.

CITY OF OAK RIDGE, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Water & Sewer
 For Fiscal Year Starting July 1, 2013, as of August 15, 2013

| F.Y. Ended 6/30 | Existing Debt - Water & Sewer (1) | | | | General Obligation Bonds, Series 2013 | | | Less: Refunded Bonds | | | Total Bonded Debt Service Requirements (1) | | | | % Principal Repaid |
|--------------------|-----------------------------------|---------------------|----------------------|---------------------|---------------------------------------|---------------------|---------------------|-----------------------|----------------------|-----------------------|--|---------------------|----------------------|---------------------|--------------------|
| | Principal | Interest | Treasury Subsidy | TOTAL | Principal | Interest (2) | TOTAL | Principal | Interest | TOTAL | Principal | Interest (2) | Treasury Subsidy | TOTAL | |
| 2014 | \$ 2,123,618 | \$ 1,899,821 | \$ (102,244) | \$ 3,921,196 | \$ 915,000 | \$ 576,647 | \$ 1,491,647 | \$ (1,485,107) | \$ (636,625) | \$ (2,121,732) | \$ 1,553,511 | \$ 1,839,844 | \$ (102,244) | \$ 3,291,111 | |
| 2015 | 2,257,811 | 1,811,171 | (102,244) | 3,966,739 | 965,000 | 707,550 | 1,672,550 | (1,560,344) | (575,511) | (2,135,856) | 1,662,467 | 1,943,210 | (102,244) | 3,503,433 | |
| 2016 | 2,349,314 | 1,718,675 | (102,244) | 3,965,746 | 730,000 | 688,250 | 1,418,250 | (1,625,490) | (511,964) | (2,137,454) | 1,453,824 | 1,894,961 | (102,244) | 3,246,541 | |
| 2017 | 2,443,975 | 1,620,839 | (102,244) | 3,962,570 | 235,000 | 673,650 | 908,650 | (1,192,494) | (445,763) | (1,638,257) | 1,486,480 | 1,848,726 | (102,244) | 3,232,962 | |
| 2018 | 2,553,600 | 1,520,400 | (102,244) | 3,971,757 | 245,000 | 668,950 | 913,950 | (1,241,425) | (396,832) | (1,638,257) | 1,557,175 | 1,792,518 | (102,244) | 3,247,449 | 15.29% |
| 2019 | 2,659,131 | 1,415,345 | (102,244) | 3,972,232 | 255,000 | 661,600 | 916,600 | (1,292,363) | (345,892) | (1,638,255) | 1,621,768 | 1,731,053 | (102,244) | 3,250,577 | |
| 2020 | 2,769,400 | 1,306,261 | (102,244) | 3,973,417 | 665,000 | 653,950 | 1,318,950 | (1,345,390) | (292,861) | (1,638,251) | 2,089,010 | 1,667,350 | (102,244) | 3,654,116 | |
| 2021 | 2,884,997 | 1,192,416 | (102,244) | 3,975,170 | 1,025,000 | 634,000 | 1,659,000 | (1,400,599) | (237,652) | (1,638,252) | 2,509,398 | 1,588,764 | (102,244) | 3,995,918 | |
| 2022 | 2,996,842 | 1,073,799 | (102,244) | 3,968,397 | 1,055,000 | 603,250 | 1,658,250 | (1,313,630) | (180,423) | (1,494,053) | 2,738,212 | 1,496,626 | (102,244) | 4,132,594 | |
| 2023 | 2,898,524 | 968,740 | (102,244) | 3,765,021 | 375,000 | 561,050 | 936,050 | (407,312) | (145,295) | (552,607) | 2,866,212 | 1,384,495 | (102,244) | 4,148,464 | 38.74% |
| 2024 | 3,010,658 | 865,646 | (98,744) | 3,777,560 | 285,000 | 546,050 | 831,050 | (302,068) | (132,979) | (435,047) | 2,993,590 | 1,278,717 | (98,744) | 4,173,563 | |
| 2025 | 3,119,351 | 753,899 | (90,081) | 3,783,169 | 290,000 | 537,500 | 827,500 | (313,842) | (121,205) | (435,047) | 3,095,509 | 1,170,194 | (90,081) | 4,175,621 | |
| 2026 | 3,253,500 | 634,330 | (81,222) | 3,806,609 | 305,000 | 528,800 | 833,800 | (326,076) | (108,972) | (435,047) | 3,232,425 | 1,054,159 | (81,222) | 4,205,362 | |
| 2027 | 3,368,049 | 510,320 | (73,172) | 3,805,197 | 215,000 | 518,888 | 733,888 | (338,786) | (96,261) | (435,047) | 3,244,264 | 932,946 | (73,172) | 4,104,037 | |
| 2028 | 2,779,755 | 376,532 | (57,750) | 3,098,537 | 825,000 | 510,288 | 1,335,288 | (351,991) | (83,056) | (435,047) | 3,252,764 | 803,764 | (57,750) | 3,998,778 | 70.10% |
| 2029 | 1,571,389 | 258,573 | (38,850) | 1,791,112 | 1,815,000 | 481,413 | 2,296,413 | (365,712) | (69,335) | (435,047) | 3,020,677 | 670,651 | (38,850) | 3,652,477 | |
| 2030 | 1,649,553 | 176,549 | (19,950) | 1,806,152 | 1,890,000 | 408,813 | 2,298,813 | (379,967) | (55,080) | (435,047) | 3,159,586 | 530,281 | (19,950) | 3,669,918 | |
| 2031 | 729,270 | 90,342 | - | 819,612 | 1,910,000 | 333,213 | 2,243,213 | (394,778) | (40,269) | (435,047) | 2,244,492 | 383,285 | - | 2,627,777 | |
| 2032 | 759,561 | 59,886 | - | 819,447 | 1,990,000 | 256,813 | 2,246,813 | (410,166) | (24,881) | (435,047) | 2,339,394 | 291,818 | - | 2,631,213 | 91.44% |
| 2033 | 791,447 | 28,160 | - | 819,607 | 2,075,000 | 169,750 | 2,244,750 | (426,155) | (8,893) | (435,047) | 2,440,293 | 189,017 | - | 2,629,310 | |
| 2034 | 72,162 | 346 | - | 72,508 | 1,805,000 | 78,969 | 1,883,969 | - | - | - | 1,877,162 | 79,314 | - | 1,956,477 | 100.00% |
| | <u>\$47,041,908</u> | <u>\$18,282,052</u> | <u>(\$1,482,206)</u> | <u>\$63,841,754</u> | <u>\$19,870,000</u> | <u>\$10,799,391</u> | <u>\$30,669,391</u> | <u>(\$16,473,697)</u> | <u>(\$4,509,750)</u> | <u>(\$20,983,446)</u> | <u>\$50,438,212</u> | <u>\$24,571,693</u> | <u>(\$1,482,206)</u> | <u>\$73,527,699</u> | |

NOTES:

- (1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.
- (2) The City budgets to account for interest rate and/or basis risk.
- (3) True Interest Cost of 3.797193%.

CITY OF OAK RIDGE, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Revenue Supported Bonds - Electric
System
For Fiscal Year Starting July 1, 2013

| F.Y. Ended 6/30 | Total Bonded Debt Service Requirements (1) | | | | % Principal Repaid |
|-----------------------|--|----------------------|-----------------------|----------------------|--------------------------|
| | Principal | Interest (2) | Treasury Subsidy | TOTAL | |
| 2014 | \$ 1,227,773 | \$ 1,035,137 | \$ (105,971) | \$ 2,156,939 | |
| 2015 | 1,088,111 | 985,362 | (105,971) | 1,967,502 | |
| 2016 | 1,173,448 | 941,022 | (105,971) | 2,008,499 | |
| 2017 | 1,149,453 | 893,017 | (105,971) | 1,936,499 | |
| 2018 | 1,200,124 | 836,291 | (105,971) | 1,930,444 | 26.89% |
| 2019 | 1,251,463 | 787,511 | (105,971) | 1,933,003 | |
| 2020 | 1,302,801 | 736,470 | (105,971) | 1,933,300 | |
| 2021 | 1,364,807 | 672,169 | (105,971) | 1,931,005 | |
| 2022 | 1,391,812 | 605,003 | (105,971) | 1,890,843 | |
| 2023 | 1,488,818 | 548,421 | (105,971) | 1,931,268 | 58.21% |
| 2024 | 1,551,491 | 484,674 | (105,971) | 1,930,194 | |
| 2025 | 1,619,498 | 416,188 | (105,971) | 1,929,715 | |
| 2026 | 567,505 | 343,311 | (105,971) | 804,845 | |
| 2027 | 333,296 | 317,773 | (105,971) | 545,098 | |
| 2028 | 450,000 | 302,775 | (105,971) | 646,804 | 79.04% |
| 2029 | 450,000 | 275,775 | (96,521) | 629,254 | |
| 2030 | 450,000 | 248,775 | (87,071) | 611,704 | |
| 2031 | 450,000 | 221,775 | (77,621) | 594,154 | |
| 2032 | 450,000 | 194,775 | (68,171) | 576,604 | |
| 2033 | 450,000 | 167,775 | (58,721) | 559,054 | 89.41% |
| 2034 | 450,000 | 140,775 | (49,271) | 541,504 | |
| 2035 | 450,000 | 113,775 | (39,821) | 523,954 | |
| 2036 | 450,000 | 86,100 | (30,135) | 505,965 | |
| 2037 | 475,000 | 58,425 | (20,449) | 512,976 | 97.81% |
| 2038 | 475,000 | 29,213 | (10,224) | 493,988 | 100.00% |
| | <u>\$ 21,710,400</u> | <u>\$ 11,442,287</u> | <u>\$ (2,127,575)</u> | <u>\$ 31,025,112</u> | |

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) The City budgets to account for interest rate and/or basis risk.

FINANCIAL INFORMATION

INTRODUCTION

The City has an appointed Finance Director who is in charge of the City Finance Department. The Finance Department is responsible for all general accounting, financial reporting, purchasing, warehousing and utility business functions of the City.

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

The City has received annually the GFOA Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report since the City was incorporated. The Certificate of Achievement recognizes that the City's financial statements meet the strict standards of GASB. The City's General Purpose Financial Statements, which are extracts of the Comprehensive Annual Financial Reports are included herein.

BASIS OF ACCOUNTING AND PRESENTATION

All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as a net current asset. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general ruling include: (1) sick pay which is not accrued, and (2) principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred. The reserve method is used to estimate the allowance for doubtful accounts for electric, water and sewer service receivables.

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FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

The City maintains fund balances, net assets or retained earnings in most major operating funds. Additionally, several reserves have been established to address specific needs of the City. The Reserve for Debt Retirement was established to accumulate excess revenues from the sales tax which were pledged to the retirement of outstanding general obligation school debt. The following table depicts fund balances, net assets and retained earnings for the last five fiscal years.

| <u>For the Fiscal Year Ended June 30,</u> | | | | | |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <u>Fund Type</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| <i>Governmental Funds:</i> | | | | | |
| General | \$ 7,488,277 | \$ 7,535,775 | \$ 9,169,606 | \$ 9,468,748 | \$ 9,217,049 |
| School Fund | 3,361,956 | 2,732,508 | 3,875,139 | 5,688,681 | 5,981,008 |
| Capital Projects | 935,476 | 1,789,898 | 2,388,176 | 1,376,440 | 2,133,392 |
| Debt Service | 7,082,125 | 6,113,799 | 12,313,862 | 11,993,611 | 11,029,837 |
| Other Governmental | <u>3,131,536</u> | <u>3,792,248</u> | <u>3,645,216</u> | <u>4,147,958</u> | <u>4,443,884</u> |
| Total | <u>\$21,999,370</u> | <u>\$21,964,228</u> | <u>\$31,391,999</u> | <u>\$32,675,438</u> | <u>\$32,805,170</u> |
| <i>Proprietary Net Assets:</i> | | | | | |
| Electric Fund | \$22,846,475 | \$24,082,158 | \$25,059,115 | \$27,438,551 | \$29,083,453 |
| Waterworks Fund | 45,841,572 | 48,195,914 | 49,466,807 | 50,968,514 | 50,241,222 |
| Nonmajor Fund | 676,813 | 635,001 | 701,942 | 775,250 | 826,989 |
| Internal Service Funds | <u>5,372,061</u> | <u>5,585,925</u> | <u>6,209,212</u> | <u>6,402,024</u> | <u>6,640,799</u> |
| Total | <u>\$74,736,921</u> | <u>\$78,498,998</u> | <u>\$81,437,076</u> | <u>\$85,584,339</u> | <u>\$86,792,463</u> |

Source: Comprehensive Annual Financial Reports of the City of Oak Ridge, Tennessee.

CITY OF OAK RIDGE, TENNESSEE
Five Year Summary of Revenues, Expenditures and
Changes In Fund Balances - General Fund
For the Fiscal Year Ended June 30

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
| Revenues: | | | | | |
| Local taxes | \$ 22,464,336 | \$ 20,978,051 | \$ 21,251,049 | \$ 21,947,796 | \$ 23,172,607 |
| Licenses and Permits | 271,002 | 269,593 | 243,947 | 207,479 | 173,179 |
| Intergovernmental Revenue | 13,188,533 | 12,361,737 | 13,402,358 | 13,885,336 | 13,397,048 |
| Charges For Services | 371,685 | 340,890 | 308,894 | 1,352,979 | 1,370,125 |
| Fines and Forfeits | 343,259 | 380,886 | 1,325,167 | 332,805 | 324,693 |
| Interest and Investment Earnings | 439,369 | 226,969 | 49,477 | 25,034 | 63,426 |
| Miscellaneous | 442,325 | 393,272 | 464,632 | 471,005 | 507,143 |
| Grants | - | - | - | - | - |
| Total Revenues | \$ 37,520,509 | \$ 34,951,398 | \$ 37,045,524 | \$ 38,222,434 | \$ 39,008,221 |
| Expenditures and Other Uses: | | | | | |
| General Government | \$ 805,413 | \$ 883,736 | \$ 942,585 | \$ 969,826 | \$ 905,182 |
| Administration | 622,983 | 885,840 | 836,966 | 889,831 | 917,059 |
| Public Safety | 9,523,913 | 9,908,694 | 10,287,751 | 10,219,162 | 10,276,714 |
| Public Works | 1,827,693 | 1,920,662 | 1,922,605 | 1,931,858 | 4,511,849 |
| Community Services | 4,470,079 | 4,601,442 | 4,646,944 | 7,151,815 | 4,886,631 |
| Capital Projects | - | - | - | - | - |
| Total Expenditures | \$ 17,250,081 | \$ 18,200,374 | \$ 18,636,851 | \$ 21,162,492 | \$ 21,497,435 |
| Excess of Revenues & Over (under) Expenditures | \$ 20,270,428 | \$ 16,751,024 | \$ 18,408,673 | \$ 17,059,942 | \$ 17,510,786 |
| Other Financing Sources (Uses): | | | | | |
| Interfund Transfers - In | \$ - | \$ 2,535,471 | \$ 2,500,515 | \$ 2,685,282 | \$ 2,855,907 |
| Interfund Transfers - Out | (18,554,441) | (19,238,997) | (19,275,357) | (19,446,082) | (20,618,392) |
| Interfund Transfers - Out Component Fund | - | - | - | - | - |
| Other Transfers | - | - | - | - | - |
| Total Other Financing Sources (Uses) | \$ (18,554,441) | \$ (16,703,526) | \$ (16,774,842) | \$ (16,760,800) | \$ (17,762,485) |
| Excess of Revenue and Other Sources over (Under) Expenditures and Other Sources | \$ 1,715,987 | \$ 47,498 | \$ 1,633,831 | \$ 299,142 | \$ (251,699) |
| Residual Equity Transfers | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fund Balance July 1 | \$ 5,772,290 | \$ 7,488,277 | \$ 7,535,775 | \$ 9,169,606 | \$ 9,468,748 |
| Prior Period Adjustment | - | - | - | - | - |
| Fund Balance June 30 | \$ 7,488,277 | \$ 7,535,775 | \$ 9,169,606 | \$ 9,468,748 | \$ 9,217,049 |

Source: Comprehensive Annual Financial Report for City of Oak Ridge, Tennessee

CITY OF OAK RIDGE, TENNESSEE
Five Year Summary of Revenues, Expenditures and
Changes In Fund Balances - Electric Fund
For the Fiscal Year Ended June 30

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|--|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Operating Revenues: | | | | | |
| Charges for Services | \$ 44,844,650 | \$ 51,764,998 | \$ 47,916,470 | \$ 53,998,664 | \$ 52,650,987 |
| Other | 729,152 | 800,382 | 775,331 | 823,961 | 2,303,977 |
| Total Operating Revenues | <u>\$ 45,573,802</u> | <u>\$ 52,565,380</u> | <u>\$ 48,691,801</u> | <u>\$ 54,822,625</u> | <u>\$ 54,954,964</u> |
| Operating Expenses: | | | | | |
| Maintenance and Administrative | \$ 6,738,627 | \$ 6,171,477 | \$ 6,522,737 | \$ 6,770,981 | \$ 7,095,124 |
| Purchased Power and Water | 34,364,532 | 40,786,288 | 36,808,220 | 41,266,396 | 41,686,544 |
| Depreciation | 2,057,426 | 2,109,427 | 2,146,302 | 2,263,229 | 2,389,559 |
| Total Operating Expenses | <u>\$ 43,160,585</u> | <u>\$ 49,067,192</u> | <u>\$ 45,477,259</u> | <u>\$ 50,300,606</u> | <u>\$ 51,171,227</u> |
| Operating Income (Loss) | \$ 2,413,217 | \$ 3,498,188 | \$ 3,214,542 | \$ 4,522,019 | \$ 3,783,737 |
| Non-Operating Revenues (Expenses): | | | | | |
| Intergovernmental Revenue | \$ - | \$ - | \$ - | \$ - | \$ 26,546 |
| Capital Contributions | - | - | - | - | - |
| Interest Revenue | 35,024 | 32,006 | 45,465 | 45,859 | 39,775 |
| Interest Expense | (912,276) | (885,366) | (888,342) | (870,681) | (781,711) |
| Total Non-Operating Revenues (Expenses) | <u>\$ (877,252)</u> | <u>\$ (853,360)</u> | <u>\$ (842,877)</u> | <u>\$ (824,822)</u> | <u>\$ (715,390)</u> |
| Net Income (Loss) Before Operating Transfers | \$ 1,535,965 | \$ 2,644,828 | \$ 2,371,665 | \$ 3,697,197 | \$ 3,068,347 |
| Operating Transfers In (Out): | | | | | |
| Operating Transfers In | \$ - | \$ - | \$ - | \$ - | \$ - |
| Operating Transfers Out | (157,590) | (1,409,145) | (1,394,708) | (1,317,761) | (1,423,445) |
| Total Operating Transfers In (Out) | <u>\$ (157,590)</u> | <u>\$ (1,409,145)</u> | <u>\$ (1,394,708)</u> | <u>\$ (1,317,761)</u> | <u>\$ (1,423,445)</u> |
| Net Income | \$ 1,378,375 | \$ 1,235,683 | \$ 976,957 | \$ 2,379,436 | \$ 1,644,902 |
| Retained Earnings - July 1 | \$ 21,468,100 | \$ 22,846,475 | \$ 24,082,158 | \$ 25,059,115 | \$ 27,438,551 |
| Prior Year Adjustments | - | - | - | - | - |
| Retained Earnings - June 30 | <u>\$ 22,846,475</u> | <u>\$ 24,082,158</u> | <u>\$ 25,059,115</u> | <u>\$ 27,438,551</u> | <u>\$ 29,083,453</u> |

Source: Comprehensive Annual Financial Reports for City of Oak Ridge, Tennessee.

BUDGETARY PROCESS

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

Several other formal budgetary policies have been adopted by the City, all of which are structured to assure responsive, quality public service within the framework of prudent fiscal management.

On an annual basis, the City's financial plans are set forth in the annual operating budget and the capital improvement program and budget as required by applicable provisions of the City Charter.

Operating Budget. Not less than 90 days prior to July 1 of each year, the City Manager is required to submit a proposed operating budget for the ensuing fiscal year to the City Council for their consideration. The Council is required to adopt an appropriation ordinance based upon the proposed budget with such modification as the Council deems necessary subject to certain restrictions with respect to the Board of Education. For example, all schools monies appropriated by City Council, State and County funds and all monies received by the City School System are controlled by the Board of Education subject to a duly adopted budget presented by the City Manager and adopted by the City Council. Neither the City Manager nor the Council has authority to modify or delete any item in a proposed school budget other than to modify the total amount of the school budget except in the case of a projected deficit. The Board of Education's capital improvements are subject to the City's normal capital improvement program process.

Amendments which revise the total expenditures of any fund may occur at any time during the fiscal year after a public hearing before the City Council; however, the City Manager may, on his own authority, transfer budgeted amounts between departments within any fund. Normal budgetary control is maintained at the activity level by encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Outstanding encumbrances are reported as reservations of fund balance at the end of the fiscal year.

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

Capital Improvement Program and Budget. The City Charter requires the preparation and adoption of a long-term capital improvements program and budget. The plan covers a period of six years and is prepared and updated annually by the Oak Ridge Regional Planning Commission in consultation with the City Manager and various departments of the City. The program identifies anticipated projects, establishes priorities and identifies the anticipated source of funding. As part of

the proposed annual budget, the City Manager is required by the Charter to provide a statement of pending capital projects and proposed projects and address the funding for each project. A revised long-range capital improvements program and one year capital improvement budget are submitted to City Council and adopted annually by the City.

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle City operating funds is controlled by State statute and local policies. Generally, such policies limit investment instruments to direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. Unless deposited in a financial institution participating in the State Consolidated Collateral Pool, all demand deposits or Certificates of Deposit must be secured by similar grade collateral (such as direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit) pledged at 105% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. Deposits with savings and loan associations must be collateralized as outlined above, by an irrevocable letter of credit issued by the Federal Home Loan Bank or by providing notes secured by the first mortgages or first deeds for trust upon residential property in the state equal to at least 150 percent of the amount of uninsured deposits. The Finance Director is responsible for the administration of all City investments.

Unless deposited in an institution participating in the State Collateral Pool, all collateral must be held in a third party escrow account for the benefit of the City. For reporting purposes, all investments are stated at cost which approximates market value.

Prevailing State law does not allow cities or counties in the State to invest in reverse repurchase agreements or unusual "derivative" products.

PROPERTY TAX

Introduction. The City is authorized to levy a tax on all property within the City without limitation as to rate or amount. All real and personal property within the City is assessed in accordance with the state constitutional and statutory provisions by the City and/or County Property Tax Assessor except most utility property, which is assessed by the Tennessee Regulation Authority (formerly, the State Public Service Commission). All property taxes are due on June 1 of each year based upon appraisals as of January 1 of the same calendar year. All property taxes are delinquent on August 1 of the same calendar year and begin accumulating interest and penalty on that date. In order to collect delinquent taxes, law suits are filed in Chancery Court of the State with a two year period of the delinquent date. Additional costs are incurred and attached to delinquent property after the Chancery Court suit is filed by the City.

Reappraisal Program. Title 67, Chapter 5, Part 16, *Tennessee Code Annotated*, as supplemented and amended, mandates that after June 1, 1989, all property in the State of Tennessee will be reappraised on a continuous six (6) year cycle composed of an on-sight review of each parcel of property over a five (5) year period followed by reevaluation of all such property in the year following the completion of the review. In the second and fourth years of the review, there shall be an updating of all real property values by application of an index or indexes established for the

jurisdiction by the State Board of Equalization, so as to maintain real property values at full value as defined in Title 67, Chapter 5, Part 6, *Tennessee Code Annotated*. The State Board of Equalization shall also consider a plan submitted by a local assessor which would have the effect of maintaining real property values at full value which may be used in lieu of indexing.

Title 67, Chapter 5, Part 17, *Tennessee Code Annotated*, provides that at such time as such reappraisal and reassessment processes are completed in a particular county, the respective governing bodies of the county and the municipalities located therein shall determine and certify a tax rate which will provide the same ad valorem tax revenue for the respective jurisdiction as was levied prior to reappraisal and reassessment. In computing the new tax rate, the estimated assessed value of all new construction and improvements placed on the tax rolls since the previous year, and the assessed value of all deletions from the previous tax roll are excluded. The new tax rate therefore, is derived from a comparison of tax revenues, tax rates and assessed values of property on the tax roll in both the year before and the year after the reappraisal. The effect of the reappraisal and reassessment statutes is to adjust the property tax rate downward to prevent a taxing unit from collecting additional property tax revenues as a result of reappraisal. Once a municipality or county complies with State law and certifies a tax rate which provides the same property tax revenue as was collected for reappraisal, its governing body may vote to approve a tax rate change which would produce more or less tax revenue. The City is currently conducting a reappraisal program to meet the foregoing requirements. The City's most recent appraisal was completed and certified in January 1, 2011.

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Assessed Valuations. According to the Tax Aggregate Report, property in the County and City reflected a ratio of appraised value to true market value of 1.00 in Anderson County. The following table shows pertinent data for tax year 2012¹.

| <u>Class</u> | <u>Estimated Assessed Valuation*</u> | <u>Assessment Rate</u> | <u>Estimated Appraised Value*</u> |
|----------------------------|--------------------------------------|------------------------|-----------------------------------|
| Public Utilities | \$ 10,480,500 | 55% | \$ 24,010,309 |
| Commercial and Industrial | 316,355,480 | 40% | 790,888,700 |
| Personal Tangible Property | 49,372,533 | 30% | 164,575,100 |
| Residential and Farm | <u>428,450,650</u> | 25% | <u>1,713,802,600</u> |
| Total | <u>\$804,659,163</u> | | <u>\$2,693,276,719</u> |

Source: 2012 Tax Aggregate Report and the City.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2013 (tax year 2012) is \$804,659,163* compared to \$809,735,786* for the fiscal year ending June 30, 2012 (tax year 2011). The estimated actual value of all taxable property for tax year 2012 is \$2,693,276,719* compared to \$2,718,022,199* for tax year 2011.

* The figures above represent both counties that the City is located in.

¹ The tax year coincides with the calendar year, therefore, tax year 2012 is actually fiscal year 2012-2013.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the City for tax years 2008 through 2012 as well as the aggregate uncollected balances for each fiscal year ending June 30, 2012.

| PROPERTY TAX RATES AND COLLECTIONS | | | | Fiscal Yr Collections | | Aggregate Uncollected Balance | |
|---------------------------------------|------------------------|--------------|-----------------|-----------------------|-------|-------------------------------------|------|
| Tax Year | Assessed Valuation* | Tax Rates | Taxes Levied | Amount | Pct | as of June 30, 2012 | |
| | | | | | | Amount | Pct |
| 2008 | \$687,464,832 | \$2.77 | \$19,059,547 | \$18,519,409 | 97.2% | \$34,698 | 0.2% |
| 2009 | 695,472,776 | 2.77 | 18,977,766 | 18,120,891 | 95.5% | 103,425 | 0.5% |
| 2010 | 813,836,892 | 2.39 | 19,303,472 | 18,322,654 | 94.9% | 225,925 | 1.2% |
| 2011 | 809,735,786 | 2.39 | 19,366,997 | 18,695,063 | 96.5% | 671,934 | 3.5% |
| 2012 | 804,659,163 | 2.39 | 19,000,567 | IN PROCESS | | | |

* Includes both Counties the City is located in.

¹ The tax year coincides with the calendar year, therefore, tax year 2012 is actually fiscal year 2012-2013.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2012 (tax year 2011), the ten largest taxpayers in the City were as follows:

| <u>Taxpayer</u> | <u>Type of Business</u> | <u>Assessed Valuation</u> | <u>Percentage of Total</u> |
|---|---------------------------|-------------------------------|--------------------------------|
| 1. UT Battelle | National Laboratory | \$44,342,552 | 5.47% |
| 2. Oak Ridge Projects LLC | Real Estate | 37,379,552 | 4.61% |
| 3. Oak Ridge Tech Center Oak Ridge Corp Partners | Office Complex | 13,389,718 | 1.65% |
| 4. Richard Chinn (R & R Properties) | Entrepreneur | 12,143,797 | 1.50% |
| 5. Scientific Ecology Group (AKA GTS Duratek) | Environmental Services | 11,106,421 | 1.37% |
| 6. Methodist Medical Center | Health Services | 10,557,920 | 1.30% |
| 7. Wilkinson Realty | Apartment Complexes | 8,652,508 | 1.07% |
| 8. A&M Enterprises Inc. | Real Estate Developer | 6,486,240 | 0.80% |
| 9. BellSouth | Communications | 6,263,248 | 0.77% |
| 10. Advanced Measurement Tech. | Manufacturer | <u>4,510,858</u> | <u>0.56%</u> |
| TOTAL | | <u>\$154,832,814</u> | <u>19.11%</u> |

Source: The City.

SALES TAX

Pursuant to applicable provisions of Title 67, Chapter 6, Part 7 of *Tennessee Code Annotated* as amended, (the "Act"), Anderson and Roane Counties levy a county-wide local option sales tax. Under the Act, counties and incorporated cities may levy a sales tax on the same privileges on which the State levies its sales tax. The rate of any sales tax levied by a county or city is limited under State law to two and three-fourths percent (2 3/4%).

Pursuant to the Act, the levy of a sales tax by a county precludes any city from within the county from levying a sales tax, but a city may levy a sales tax in addition to the county's sales tax a rate not exceeding the difference between the county sales tax rate and the maximum local option sales tax rate of two and three fourths percent (2 3/4%). If a city is located in more than one county, each portion of the city that is located in a separate county is treated as a separate city for purposes of determining the maximum sales tax rate.

On November 4, 1986, residents of the City approved a referendum authorizing the adoption of a City-wide local sales tax in addition to the .75 percent and 1.50 percent taxes collected county-wide by Anderson and Roane Counties, respectively. The referendum added 1.5 percent to the Anderson County tax rate and 1.25 percent to the Roane County tax rate with respect to sales taxes levied within the boundaries of the City. The total sales tax in the City became 2.25 percent for that portion of the City in Anderson County and 2.75 percent for that portion of the City in Roane County. Subsequent to the City referendum, the voters of Anderson County approved on April 26, 1987 an increase in the county-wide sales tax in Anderson County to 2.25 percent. In accordance with the Act, the new 2.25 percent county-wide tax in Anderson County superseded on July 1, 1987 that portion of the City's sales tax levied in Anderson County. Roane County voters decided a similar question concerning the imposition of a county-wide 2.50 percent sales tax on November 8, 1988. This new tax was effective on July 1, 1989, and as with the Anderson County-wide tax, the City's sales tax for that portion of the City in Roane County was superseded pursuant to the Act.

The revenues from the county-wide sales taxes of Anderson and Roane Counties are distributed pursuant to the provisions of the Act and other provisions of the *Tennessee Code Annotated*. Fifty percent (50 %) of the revenues raised through the county-wide sales taxes are directed to educational purposes and are distributed to all organized school systems, such as the City's school system, in the county in which the taxes are collected based upon the average daily attendance of each school system. The balance of the sales tax collections are divided between the general fund of the county in which the taxes are collected and all incorporated cities or towns in such county based upon the situs of collection.

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Sales tax receipts available to the City and its school system from the city-wide sales tax and the City's portion of the county-wide sales taxes are as follows:

| | <u>FY 2008</u> | <u>FY 2009</u> | <u>FY 2010</u> | <u>FY 2011</u> | <u>FY 2012</u> |
|--------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| City | \$10,799,248 | \$10,110,993 | \$11,526,911 | \$11,811,555 | \$10,949,982 |
| Schools | <u>3,571,471</u> | <u>3,612,936</u> | <u>3,935,389</u> | <u>4,005,204</u> | <u>3,984,776</u> |
| TOTAL | <u>\$14,370,719</u> | <u>\$13,723,929</u> | <u>\$15,462,300</u> | <u>\$15,816,759</u> | <u>\$14,934,758</u> |

****Sites of Collection**

| | | | | | |
|-----------------|-----------|-----------|---------|---------|---------|
| Roane/ Anderson | 24% / 76% | 22% / 78% | 24%/76% | 22%/78% | 20%/80% |
|-----------------|-----------|-----------|---------|---------|---------|

****Based on City Collections**

Source: City of Oak Ridge Department of Finance and Comprehensive Annual Financial Report of the City.

The Act authorizes a local jurisdiction, by resolution of its governing body, to pledge proceeds raised by the power and authority granted by the Act to the punctual payment of principal of and interest on bonds, notes or other evidence of indebtedness issued for purposes for which such proceeds were intended to be spent. The security provisions of the Bonds do not include a pledge of available local option sales tax revenues as additional security.

The increase in the sales taxes has allowed the City to move away from a primary reliance on property taxes to a more equitable funding formula utilized in property taxes, sales taxes and other revenues. The net result of the new sales taxes has been nearly a substantial reduction in the historical level of the City's property tax rate (see PROPERTY TAX - Property Tax Rates and Collections, contained herein).

PENSION PLANS

Employees of the City are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Employees working in the school system are members of a separate plan administered by the TCRS. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with 5 years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Active members on June 1, 1994 became vested after 5 years of service. Benefit provisions are established in State statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increase is less than .50%. The maximum annual COLA is capped at 3.0%. Political subdivisions such as the City participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their

plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

For additional information on the funding status, trend information and actuarial status of the City's retirement programs, please refer to the Notes to Financial Statements located in the General Purpose Financial Statements of the City located herein.

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF OAK RIDGE, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2012

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of the City of Oak Ridge for the fiscal year ended June 30, 2012 which is available upon request from the City.



Comprehensive Annual Financial Report
City of Oak Ridge, Tennessee

For the Fiscal Year Ended
June 30, 2012

CITY OF OAK RIDGE, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2012

Prepared by
FINANCE DEPARTMENT

**City of Oak Ridge, Tennessee
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012**

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CITY OF OAK RIDGE



POST OFFICE BOX 1 • OAK RIDGE, TENNESSEE 37831-0001

February 28, 2013

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

The Comprehensive Annual Financial Report (CAFR) of the City of Oak Ridge, Tennessee, for the fiscal year ended June 30, 2012, is hereby submitted. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and have been audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Oak Ridge. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Oak Ridge has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Oak Ridge's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Oak Ridge's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Oak Ridge's financial statements have been audited by Pugh & Company, PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Oak Ridge, for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statements presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Oak Ridge's financial statements for the fiscal year ended June 30, 2012 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Oak Ridge was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City of Oak Ridge's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are contained in section four of this report titled "Single Audit Report and Findings Recommendations."

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Oak Ridge's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Oak Ridge

The City of Oak Ridge, incorporated on June 16, 1959, is located in the eastern part of the State, occupying the southern portion of Anderson County and an eastern portion of Roane County. The population of Oak Ridge according to the 2010 census is 29,330.

The City of Oak Ridge has a unique history. This area was selected by the United States government in 1942 as the location for its production plants for uranium 235, a component of the first atomic bomb. Constructed by the U.S. Corps of Engineers as part of the secret World War II "Manhattan Project", the early task of the plant was the separation of fissionable uranium-235 from the more stable uranium-238 by an electro-magnetic process. Some 80,000 workers were hired for emergency construction of the laboratories and offices in the then 56,000-acre site. The original townsite was built during World War II to house and furnish necessary facilities for the employees of the uranium plants. In 1955 Congress passed Public Law 22, which allowed the Atomic Energy Commission to sell the homes and land to the residents, and to give the City all municipal facilities if it voted to incorporate. Oak Ridge is approximately 92 square miles in area and includes the plant and facilities of the U.S. Department of Energy (DOE). Residential, commercial and municipal owned portions of the City make up nearly 30 square miles. The remaining area of the City is owned by the U.S. Department of Energy (DOE).

The City of Oak Ridge is empowered to levy a property tax on both real and personal property located within its boundaries. The City receives an annual in-lieu of tax payment from DOE on the acreage owned by the federal government, subject to annual congressional appropriation. The calculation is based on the land's usage prior to ownership by the federal government and is therefore valued as if it were residential farmland. Federal buildings located on this property are currently not subject to taxation by the City, with the exception of four newer facilities located at the Oak Ridge National Laboratory (ORNL) and the Y-12 complex.

The City is governed by a modified City Manager-Council form of government. The governing body of the City is a seven member City Council. Approximately, half of the City Council is elected on a non-partisan basis every two years for a four-year term of office. Following each regular City election, the City Council elects one of its members as mayor to serve for a two-year period as ceremonial head of the City and presiding officer of the City Council. Policy-making and legislative authority are vested in City Council. The Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the City's day-to-day operations, and for appointing heads of the various departments.

The City provides a full range of services, which includes police and fire protection; electric, water and wastewater services; residential solid waste collection; the construction and maintenance of highways, streets and infrastructure; public library, recreational activities and cultural events. The Oak Ridge Schools operate under the City Charter and are considered part of the City and therefore, has been included as an integral part of the City of Oak Ridge's financial statements. In addition to general government activities, the City is financially accountable for the Convention and Visitors' Bureau whose activities are reported separately within the City of Oak Ridge's financial statements. Also included are the activities of the Oak Ridge Public Schools Education

Foundation, Inc. whose primary mission is to enhance, promote and support the City of Oak Ridge Schools. However, the Oak Ridge Housing Authority, Oak Ridge Utility District, Oak Ridge Industrial Development Board and the Oak Ridge Health and Educational Facilities Board have not met the established criteria for inclusion; and, accordingly, are excluded from this report.

The annual budget serves as the foundation for the City of Oak Ridge's financial planning and control. The budget preparation process begins in the late summer when City departments begin the preparation of six-year Capital Improvements Program (CIP) requests for submission to the Oak Ridge Municipal Planning Commission for review. The program identifies anticipated capital projects, establishes priorities and identifies the anticipated source of funding. The CIP, as modified and approved by the Planning Commission, is submitted for Council's consideration prior to budget deliberations.

City Council has directed the City Manager to present a proposed budget that supports current council policies. Any additional programs or major modifications recommended by the City Manager are presented separately to City Council during budget deliberations. As part of the budget preparation, the City Manager meets with City departments who outline requirements and challenges related to their departmental operating budgets. The Finance Department quantifies preliminary budget information, including revenue projections, for preparation of the City Manager's proposed budget. The City Manager presents the proposed budget for the upcoming fiscal year to City Council at a work session or council meeting by mid-May. The Board of Education also presents the School Fund budget at this meeting, including a request for appropriation of City funds to meet program obligations. Budget work sessions may be held with City Council during budget deliberations to provide a detailed review of the proposed operating and capital improvements budgets. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget and tax rate prior to the start of the City's fiscal year on July 1.

The budget is presented by fund, function (e.g., public safety), and department (e.g., police). The budget is legally appropriated at the fund level. Department heads may make transfers of appropriations within a department and the City Manager may make transfers of appropriations between departments. Transfers of appropriation between funds, however, require approval of City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and school fund, this comparison is presented on pages 21-22 as part of the basic financial statements for the governmental funds. For nonmajor governmental funds with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 88. The comparison for the capital projects and debt service funds are presented on page 119 and 121, respectively.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Oak Ridge operates.

Local economy. The City of Oak Ridge currently enjoys a stronger economic environment with several major development projects in the planning or in the initial stages of construction. Recently, the development pace has escalated, particularly in the retail sector. Oak Ridge has not been impacted as much as many areas in the country during the recent nationwide economic downturn due to the large presence of the federal government in Oak Ridge and the federal stimulus money awarded to those entities.

Located at Oak Ridge National Laboratory (ORNL), is the Spallation Neutron Source (SNS) accelerator project which was built by a partnership of six U.S. Department of Energy laboratories and provides the most intense pulsed neutron beams in the world for scientific research and industrial development. At full power, SNS will deliver 1.4 million watts (1.4 MW) of beam power onto the target. Up to 2,000 scientists are expected to visit each year to study materials that will form the basis for new technologies in telecommunications, manufacturing, transportation, information, biotechnology and health. Recently completed on the ORNL campus is the \$9.2 million Joint Institute for Neutron Sciences, a 32,000 square-foot facility supporting users who come to Oak Ridge for experiments at the SNS and the High Flux Isotope Reactor and an \$8.85 million guest house at ORNL, providing an on-site hotel for scientists conducting experiments at the ORNL facilities.

In 2005, construction of a \$50 million private sector funded complex was completed at ORNL to house a new supercomputer. This was the first privately owned facility to be located on the federal reservation on which the City received real property tax payments based on the appraised value of the building. With three similar type facilities completed at ORNL and the Y-12 complex, the construction of taxable facilities on federal property represents a significant revenue stream for the City. In fiscal 2012, the real property taxes on these facilities were \$1,909,660.

Phase I of the Science and Technology Park on the ORNL campus is complete and two buildings totaling 155,000 square feet are now occupied by more than 15 companies. Future development phases will enable the S&T Park to grow to nearly 30 acres and up to 350,000 square feet of offices and laboratories to help meet ORNL's goal of successful technology transfer and commercialization.

Final design and site work is underway for the estimated \$6.5 billion Uranium Processing Facility (UPF) at the Y-12 Complex in Oak Ridge. The UPF is a multibillion dollar project that will take nearly ten years to complete. The project is already generating increased employment with at least 20 companies involved in design work and other preparations. The project is expected to generate significant sales and use taxes for the City during the construction phase of the UPF.

The Department of Energy (DOE) is funding a five-year project to design, license and help commercialize small, modular nuclear reactors (SMR's) in the US. DOE will fund up to half the cost of the \$450 million project under a cost-share agreement with Babcock & Wilcox (B & W), the lead company selected to implement it. The Tennessee Valley Authority and Bechtel are also partners. DOE says it expects Nuclear Regulatory Commission licensing and achievement of commercial operations by 2022. TVA is preparing an application to the Nuclear Regulatory Commission to license up to four B & W mPower SMRs at its Clinch River site in Oak Ridge. This project will create a significant number of new jobs at the Clinch River site and at manufacturing and supplier facilities.

In April 2003, the Department of Energy transferred ownership of 490 acres in the Horizon Center Industrial Park to a subsidiary of the Community Reuse Organization of East Tennessee (CROET), a non-profit development corporation, and then in 2005 the Horizon Center was transferred to the City of Oak Ridge Industrial Development Board. The transfer of this property from federal ownership allows the land in the Horizon Center to be sold for private industrial development.

The most recent project to be completed within the Horizon Center is the multi-million dollar Carbon Fiber Technology Facility. The facility will demonstrate low-cost carbon fiber technology for use in composite materials and in association with Roane State Community College will train and educate workers for the new carbon fiber field. The pilot plant will be capable of producing 25 tons of new low-cost carbon fiber materials per year. Omega Technical Consultants has occupied a new 51,000 square-foot building at the Heritage Center, providing 34 new jobs.

In 2012, there has been a significant upturn in economic activity in Oak Ridge. Recent commercial projects in Oak Ridge that have been completed or are underway include an expansion of Roane State Community College, a new Holiday Inn hotel, four new restaurants, three senior assisted/independent living housing projects, a new gas station/convenience store and a new Kroger's shopping center.

Just announced is the sale of the Oak Ridge Mall site to Crosland Southeast developers, a retail and mixed-use development firm. This sale of the Mall is a major economic development accomplishment that will allow for redevelopment of the underutilized 65 acre site located in the center of Oak Ridge. It is anticipated that demolition of the current mall and redevelopment of the site could begin by early 2014.

In the fall of 2012, the first phase of Woodland Town Center was completed with the opening of a relocated and expanded Panera Bread restaurant and a new Aubrey's restaurant. A McAlister's Deli will open in the prior Panera Bread site. A new specialty grocery store is undergoing planning review for construction at this center.

In the fall of 2012, Kroger announced the purchase of approximately 25 acres in Oak Ridge which will be the location of a 113,531 square-foot Kroger Marketplace along with a 12,000 square-foot strip center and 5 outparcels for additional development. The project slated for opening in the spring of 2014 is expected to generate 250 new jobs.

Undergoing the building review process, is the construction of a new Weigel's gas station and convenience store. Under construction is a new Pizza Inn and Zaxby's restaurants.

Under construction is a new 91-unit assisted living facility. Methodist Medical Center of Oak Ridge is a partner in the venture, which will be three stories and feature 22 memory-care residences. Under planning review is Phase II of the Courtyards at Briarcliff providing independent living apartments for seniors and Dogwood Manor on Adams Lane to provide an independent living apartment complex for the low-to-moderate seniors.

Other new residential subdivisions approved within the past five years where construction is ongoing include Crossroads at Wolf Creek, a 73-acre site on which 102 single-family and 76 multi-family dwelling units are planned. Forty-nine homes have been built at this development. Groves Park Commons, the most recently approved development utilizing traditional neighborhood design is underway with 12 homes. When complete the development will have approximately 355 dwelling units, with surrounding open space areas and a small neighborhood commercial area. Clark's Preserve, a development with 38 lots has 2 homes. Centennial Bluff has completed a clubhouse, 51 condominium units, and has started a new section for duplex units.

U.S. Department of Energy. During fiscal 2008, the City entered into two contracts with the U.S. Department of Energy to provide services to areas previously served by federal contractors. The City entered into an agreement with DOE, through their site contractor, to assume fire and emergency medical response duties for the federal East Tennessee Technology Park (ETTP) site. Under the agreement with DOE, through its contractor the City received over \$10,000,000 in funding over the first four-year period of the agreement. On October 1, 2007, DOE transferred 2.23 acres of land, the ETTP fire station and fire fighting and ambulance vehicles and equipment to the City to operate this facility. The City added an additional 28 employees to man this station, which will also serve the west end of Oak Ridge. The West End Fund, a special revenue fund, was established by the City to account for the operations of the ETTP fire station. The City received \$2,327,689 under this contract in fiscal 2012. The contract was renewed for an additional four years through September 30, 2015.

The City also entered into a 5-year agreement with DOE under which the City assumed responsibility for water and wastewater services to the ETPP site. The City acquired the ETPP water plant, as well as, water and wastewater lines, booster stations and other infrastructure from DOE in order for the City to provide these services to the ETPP site. Wastewater will be processed at the City's new Rarity Ridge wastewater plant. The ETPP water plant is near the end of its useful life. Under terms of the contract, DOE will provide funding to fully operate the water plant and provide \$500,000 each year of the contract for the City to build new infrastructure from the City's main water plant to serve the ETPP site. On May 29, 2008, the City assumed water and wastewater operations to the ETPP site. These operations are accounted for in the City's Waterworks Fund, an enterprise fund. The City receives a base amount from DOE, through their site contractor, reduced by revenues the City receives from other City customers that are serviced by the ETPP water plant and the Rarity Ridge wastewater plant during that time frame. In fiscal 2012, the City received \$1,625,901 under terms of this contract. The current term of the contract ends in May 2013.

Long-term financial planning

A major focus at this time is the water and wastewater infrastructure systems. The City is continuing its improvement to the wastewater collection system and wastewater lift station rehabilitation and replacement. The City began the project in 1997 to upgrade, expand and rehabilitate the wastewater treatment plant and wastewater collection system. The upgrades and expansion to the wastewater treatment plant increased capacity from 6 mgd to 9 mgd, a 33% increase in capacity to service new customers and construction of a new wastewater plant at the Rarity Ridge development site. The City has \$1,295,054 available from an authorized loan from the Tennessee State Revolving Fund to finance the 2013 phase of the wastewater system rehabilitation project, which includes sanitary sewer replacement, slip-lining, cured-in-place and pipe bursting, and manhole and pump station rehabilitation and replacement.

On September 27, 2010, the City received an administrative order (AO) from the United States Environmental Protection Agency. 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. The City has projected to spend over \$23,090,000 over the next two years for wastewater capital projects. A new approach to managing maintenance and operation through a computer based information management system has been instituted. The additional manpower requirements to meet the AO include nine new positions costing approximately \$400,000 per year.

Upgrades and improvements are also planned to the water system. The City has projected to spend over \$17,000,000 in water capital improvements, particularly to the water treatment plant and raw water intake system, over the next five years.

Water and wastewater capital improvements will be funded through the issuance of long-term debt. On September 29, 2011, the City issued \$9,810,000 in bonds to fund the first phase of these improvements and an additional \$5,000,000 loan was closed in December 2012. The City is in the process of applying for an \$18,000,000 low-interest rate loan from the Tennessee State Revolving Fund (SRF) Loan program. Significant rate increases were adopted for both water and wastewater rates with the first phase effective May 1, 2012 and the second phase effective January 1, 2013. Additional rate water and wastewater rate increase are anticipated to fund planned and ongoing capital projects and increased maintenance costs. Significant rate increases are expected to wastewater rates related to projects required to meet EPA AO. The next water and wastewater rate review is planned for the summer of 2013.

City revenues from local sales and use tax collections had been unusually high in fiscals 2010 and 2011 due to expenditures by federal contractors from stimulus grant awards. As federal funding to local contractors from stimulus awards diminished, the City experienced an \$861,573 decline in local sales and use tax collections in fiscal 2012 from the prior fiscal year. Sales tax collections are expected to continue to decline at a lower level through fiscal 2013, until the impact of the many retail projects in the construction and planning states are completed and then sales tax collections are expected to begin growing.

The City has also embarked on a new program "Not in Our City" to deal with housing and housing related issues, particularly in the legacy WWII neighborhoods, making Oak Ridge a better place to live and invest.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Oak Ridge, Tennessee, for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. This is the fifty-first consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report satisfied both generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City has also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the past twenty-nine consecutive years. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

Preparation of this report was accomplished through the dedicated services of the Finance Department. We express our appreciation to all who contributed to its preparation. Credit also must be given to the governing City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Oak Ridge's finances.

Respectfully submitted,



Mark S. Watson
Deputy City Manager



Janice E. McGinnis
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Oak Ridge
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Movill

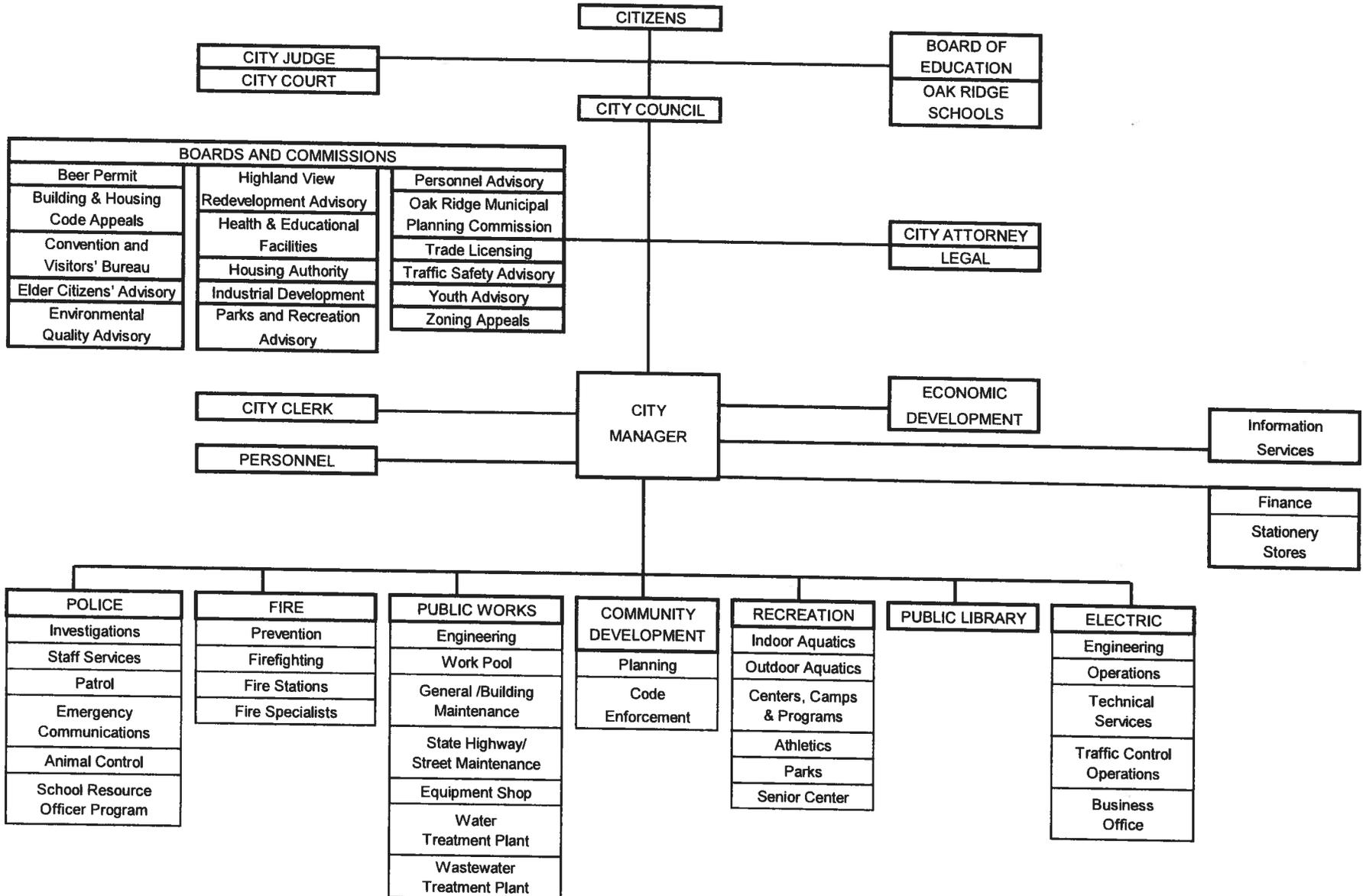
President

Jeffrey R. Emer

Executive Director

ORGANIZATION CHART

City of Oak Ridge, Tennessee



CITY OF OAK RIDGE, TENNESSEE

CITY OFFICIALS

Mayor

Thomas L. Beehan

Members of City Council

Anne Garcia Garland
L. Charles Hensley
Charles J Hope, Jr.

D. Jane Miller
David N. Mosby
Ellen D. Smith

City Manager

Mark S. Watson

Department Directors

Kathryn Baldwin
Jack L. Suggs
Janice E. McGinnis
R. Darryl Kerley
Kathy McNeilly
E. Joshua Collins, Jr.
Penelope H. Sissom
James T. Akagi
Gary M. Cinder

Community Development Director
Electrical Director
Finance Director
Fire Chief
Library Director
Parks & Recreation Director
Personnel Director
Police Chief
Public Works Director

City Attorney

Kenneth R. Krushenski

City Judge

Robert A. McNees III

City Clerk

Diana Stanley

Board of Education

Keyes Fillauer, Chairman
Robert Eby, Vice-Chair
Jennifer Richter, Parliamentarian
Angi Agle, Treasurer
Dan DiGregorio

Superintendent of Schools

Thomas E. Bailey, Ed.D.

Assistant Superintendent of Schools

Marian Phillips

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315 NORTH CEDAR BLUFF ROAD – SUITE 200
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OAK RIDGE, TENNESSEE 37830
TELEPHONE 865-483-5634

PUGH & COMPANY, P.C.
www.pughcpas.com

INDEPENDENT AUDITORS' REPORT

City Mayor, City Manager, and the City Council Members of the
City of Oak Ridge, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the Convention and Visitors Bureau, a discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Oak Ridge, Tennessee (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Oak Ridge Public Schools Education Foundation, Inc., a discretely presented component unit. The Oak Ridge Public Schools Education Foundation, Inc. comprises 99 percent of assets, 99 percent of net assets and 40 percent of revenues of the total discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Oak Ridge Public Schools Education Foundation, Inc. is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison of the general fund and the school fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-14 and the schedules of funding progress for the City Employee's Political Subdivision Pension Plan, the Oak Ridge City School Non-Teaching Employee's Political Subdivision Pension Plan, the Oak Ridge City School Employee's Postretirement Benefits, and the Oak Ridge City Employee's Postemployment Benefits on pages 85 and 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us and the other auditors with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oak Ridge's financial statements. The combining and individual fund financial statements and schedules on pages 88 to 121 and schedule of federal and state financial assistance activity, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules on pages 88 to 121 and schedule of federal and state financial assistance activity are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oak Ridge's basic financial statements. The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
February 28, 2013

Management's Discussion and Analysis

As management of the City of Oak Ridge, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii of this report.

Financial Highlights

- The assets of the City of Oak Ridge exceeded its liabilities at the close of the most recent fiscal year by \$140,731,888 (*net assets*). Of this amount, \$27,472,990 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net assets decreased by \$3,652,914, a decrease of 2.53% over fiscal 2011. The City of Oak Ridge's changes in net assets are detailed on page seven of this report. Total revenues decreased \$8,140,230, which included a reduction of \$4,553,508 in capital grants and contributions, primarily from capital infrastructure that was donated to the City by the State of Tennessee in 2011 in conjunction with the widening of the Oak Ridge Turnpike, which is also a state route. Charges for services decreased \$1,719,275, primarily due to the reclassification of electric related billings to the United States Department of Energy from charges for services to other revenue. There was an additional \$89,739 in operating grants and contributions and reduction of \$1,957,186 in other general revenues. Other general revenues in governmental activities were a negative \$3,166,444 due the negative change in fair value of interest rate swap derivative instruments. Refer to the Notes to Financial Statements for more information on the City's notes payable for swap agreements. Expenses increased \$2,894,579 and included \$2,042,989 in educational expenses.
- The City's property tax rate remained at the fiscal 2011 rate of \$2.39 per \$100 of assessed valuation.
- As of the close of the current fiscal year, the City of Oak Ridge's governmental funds reported combined ending fund balances of \$32,805,170, an increase of \$129,732 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,042,225, or 23.5% of total general fund expenditures. Expenditures do not include transfers to other funds, which totaled \$20,618,393 in the City's general fund.
- At June 30, 2012, the General Fund had a nonspendable fund balance of \$3,451,953. This includes a \$3,333,333 long-term note receivable from the City's Waterworks Fund.
- At the end of the current fiscal year, the School Fund had an assigned fund balance of \$5,676,413. This is 10.2% of expenditures for fiscal 2012.
- Overall, the City's total debt increased by \$2,286,477 (1.36 percent) during the current fiscal year. During fiscal year 2012, the City issued \$9,810,000 in general obligation bonds to fund water and wastewater capital projects.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Oak Ridge's basic financial statements. The City of Oak Ridge's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements, and 4) single audit report and findings and recommendations. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Oak Ridge's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the City of Oak Ridge's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Oak Ridge is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Oak Ridge that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Oak Ridge include general government, public safety, highways and streets, residential solid waste collection, economic development, culture and recreation. The business-type activities of the City of Oak Ridge include electric distribution operation, water and wastewater treatment, distribution and collection and operation of an Emergency Communications District.

The government-wide financial statements include not only the City of Oak Ridge itself (known as the *primary government*) and the operations of the Oak Ridge Schools, but also the legally separate Convention and Visitors Bureau for which the City of Oak Ridge is financially accountable and the Oak Ridge Public Schools Education Foundation, Inc. whose main purpose is to provide financial support to the schools. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 15-16 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Oak Ridge, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Oak Ridge can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Oak Ridge maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, school fund, and debt service fund, all of which are considered to be major funds and the capital projects fund. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Oak Ridge adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-21 of this report.

Proprietary funds. The City of Oak Ridge maintains two different types of proprietary funds: enterprise funds and internal service funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Oak Ridge uses enterprise funds to account for its electric, water and wastewater, and emergency communications district operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Oak Ridge's various functions. The City uses internal service funds to account for its City and School fleet of vehicles and insurance and benefit functions. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. The City also uses internal service funds to account for inventory functions. Because this service predominantly benefits business-type functions, they have been included within *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric distribution operation, water and wastewater treatment, collection and distribution, both of which are considered to be major funds of the City of Oak Ridge, and emergency communication. Conversely, all four internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 23-26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Oak Ridge's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-84 of this report.

Other information. The *required supplementary information* presented on pages 85 and 86 pertains to the City of Oak Ridge's and the school's progress in funding their obligation to provide pension benefits to their employees.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to financial statements.

Combining and individual fund statements and schedules can be found on pages 88-121 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Oak Ridge, assets exceeded liabilities by \$140,731,888 at the close of the most recent fiscal year.

By far the largest portion of the City of Oak Ridge's net assets (85.5 percent) reflects its investment in capital assets (e.g., land, building, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Oak Ridge uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Oak Ridge's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Oak Ridge's Net Assets

| | Governmental activities | | Business-type activities | | Total | |
|--|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | FY2012 | FY2011 | FY2012 | FY2011 | FY2012 | FY2011 |
| Current and other assets | \$ 65,063,320 | \$ 63,051,368 | \$ 16,189,950 | \$ 11,112,277 | \$ 81,253,270 | \$ 74,163,645 |
| Capital assets | 139,880,563 | 143,210,693 | 143,815,487 | 140,132,720 | 283,696,050 | 283,343,413 |
| Total assets | 204,943,883 | 206,262,061 | 160,005,437 | 151,244,997 | 364,949,320 | 357,507,058 |
| Long-term liabilities outstanding | 116,849,467 | 108,837,844 | 68,247,620 | 61,091,719 | 185,097,087 | 169,929,563 |
| Other liabilities | 27,514,192 | 32,221,730 | 11,606,153 | 10,970,963 | 39,120,345 | 43,192,693 |
| Total liabilities | 144,363,659 | 141,059,574 | 79,853,773 | 72,062,682 | 224,217,432 | 213,122,256 |
| Net assets: | | | | | | |
| Invested in capital assets net of related debt | 39,810,637 | 38,500,904 | 73,448,261 | 75,189,718 | 113,258,898 | 113,690,622 |
| Restricted | - | - | - | - | - | - |
| Unrestricted | 20,769,587 | 26,701,583 | 6,703,403 | 3,992,597 | 27,472,990 | 30,694,180 |
| Total net assets | \$ 60,580,224 | \$ 65,202,487 | \$ 80,151,664 | \$ 79,182,315 | \$140,731,888 | \$144,384,802 |

The remaining balance of *unrestricted net assets* (\$27,472,990) may be used to meet the government's ongoing obligations to citizens and creditors.

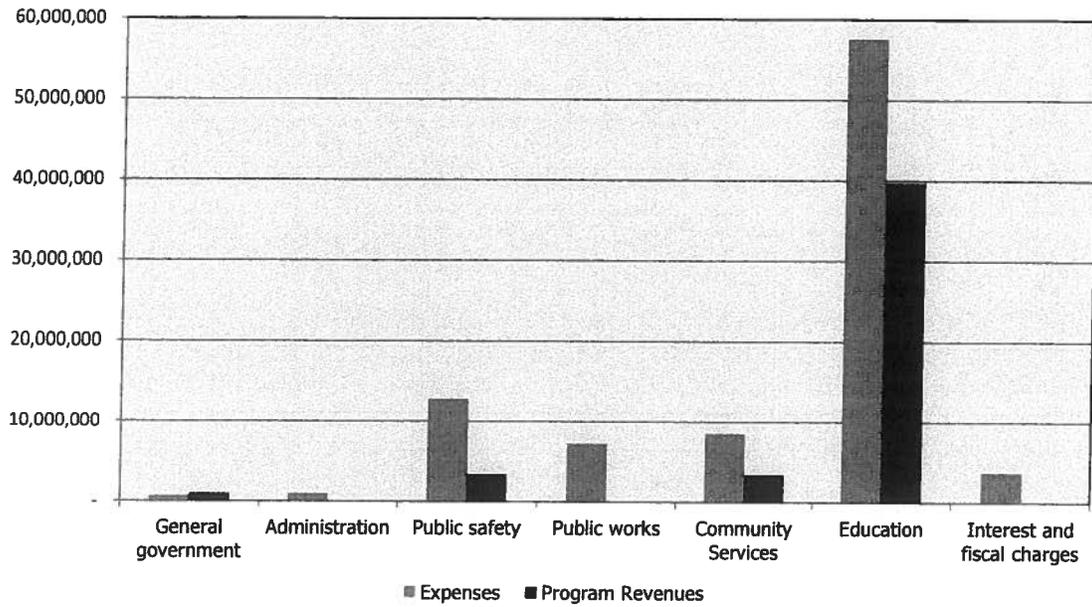
At the end of the current fiscal year, the City of Oak Ridge is able to report positive balances in all three categories of net assets for both the government as a whole, as well as for its separate governmental and business-type activities.

Governmental activities. Governmental activities decreased the City of Oak Ridge's net assets by \$4,622,263. Revenues from charges for services decreased \$280,123, mainly from public safety fines and operating grants and contributions increased \$120,283 primarily from School grants. Capital grants and contributions decreased \$3,333,594, due to capital infrastructure that was donated to the City by the State of Tennessee in 2011 in conjunction with the widening of the state route Oak Ridge Turnpike. Property tax collections increased \$1,253,311, primarily from delinquent property taxes collections. Other taxes decreased \$444,739, mainly from a decline in sales and use tax collections resulting from reduced local federal spending from stimulus dollars. Miscellaneous revenues decreased \$4,246,226 from an investment income change in the fair value of an interest rate swap.

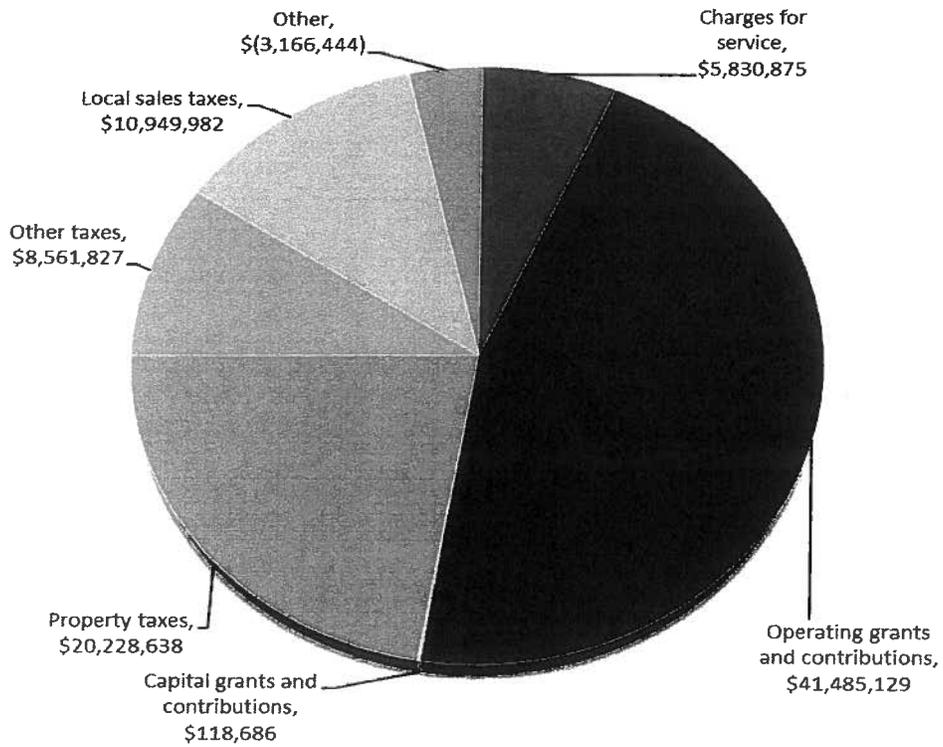
City of Oak Ridge's Changes in Net Assets

| | Governmental activities | | Business-type activities | | Total | |
|---|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
| | FY2012 | FY2011 | FY2012 | FY2011 | FY2012 | FY2011 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for service | \$ 5,830,875 | \$ 6,110,998 | \$71,707,128 | \$73,146,280 | \$ 77,538,003 | \$ 79,257,278 |
| Operating grants and contributions | 41,485,129 | 41,364,846 | 24,456 | 55,000 | 41,509,585 | 41,419,846 |
| Capital grants and contributions | 118,686 | 3,452,280 | 695,756 | 1,915,670 | 814,442 | 5,367,950 |
| General revenues: | | | | | | |
| Property taxes | 20,228,638 | 18,975,327 | - | - | 20,228,638 | 18,975,327 |
| Other taxes | 19,511,809 | 19,956,548 | - | - | 19,511,809 | 19,956,548 |
| Other | (3,166,444) | 1,079,782 | 2,450,852 | 970,384 | (715,592) | 2,050,166 |
| Total Revenues | 84,008,693 | 90,939,781 | 74,878,192 | 76,087,334 | 158,886,885 | 167,027,115 |
| Expenses: | | | | | | |
| General government | 666,017 | 1,534,057 | - | - | 666,017 | 1,534,057 |
| Administration | 968,733 | 939,662 | - | - | 968,733 | 939,662 |
| Public Safety | 12,798,262 | 12,417,297 | - | - | 12,798,262 | 12,417,297 |
| Public Works | 7,221,150 | 4,848,131 | - | - | 7,221,150 | 4,848,131 |
| Community Services | 8,541,374 | 10,911,603 | - | - | 8,541,374 | 10,911,603 |
| Education | 57,585,524 | 55,542,535 | - | - | 57,585,524 | 55,542,535 |
| Interest and fiscal charges | 3,705,803 | 4,004,334 | - | - | 3,705,803 | 4,004,334 |
| Electric | - | - | 51,952,938 | 51,171,287 | 51,952,938 | 51,171,287 |
| Waterworks | - | - | 18,621,033 | 17,770,763 | 18,621,033 | 17,770,763 |
| Emergency communication district | - | - | 478,965 | 505,551 | 478,965 | 505,551 |
| Total expenses | 91,486,863 | 90,197,619 | 71,052,936 | 69,447,601 | 162,539,799 | 159,645,220 |
| Increase (decrease) in net assets before transfer | (7,478,170) | 742,162 | 3,825,256 | 6,639,733 | (3,652,914) | 7,381,895 |
| Transfers | 2,855,907 | 2,685,282 | (2,855,907) | (2,685,282) | - | - |
| Increase (decrease) in net assets | (4,622,263) | 3,427,444 | 969,349 | 3,954,451 | (3,652,914) | 7,381,895 |
| Net assets – July 1, 2011 | 65,202,487 | 61,775,043 | 79,182,315 | 75,227,864 | 144,384,802 | 137,002,907 |
| Net assets – June 30, 2012 | \$60,580,224 | \$65,202,487 | \$80,151,664 | \$79,182,315 | \$140,731,888 | \$144,384,802 |

Expenses and Program Revenues - Governmental Activities

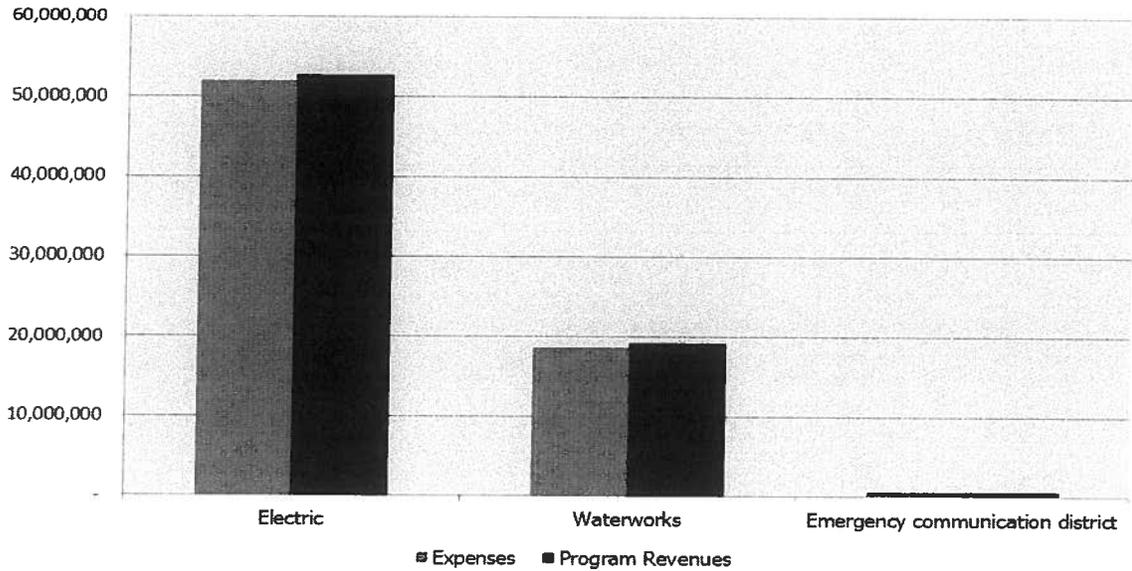


Revenues by Source - Governmental Activities

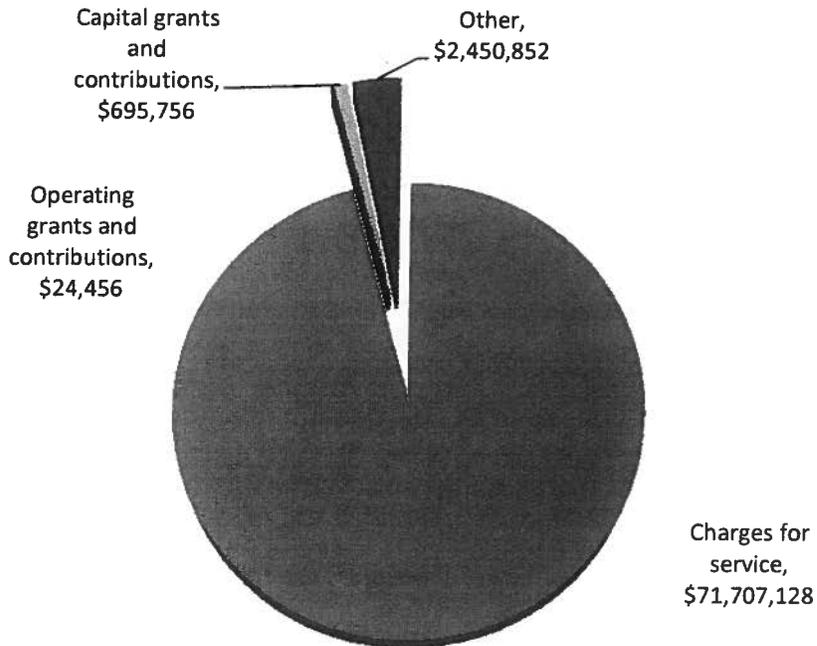


Business-type activities. Business-type activities increased the City of Oak Ridge's net assets by \$969,349. Charges for services decreased \$1,439,152 and other general revenues increased \$1,480,468 due to the reclassification of electric related revenues from the US Department of Energy. Capital grants and contributions declined \$1,219,914 due to a reduction in capital asset contributions by private developers and the state during fiscal 2012.

Expenses and Program Revenues - Business-type Activities



Revenues by Source – Business-type Activities



The net assets of the electric fund increased by \$1,644,902 from the prior fiscal year. The City of Oak Ridge is a distributor of electrical power that is purchased from the Tennessee Valley Authority (TVA) and then transmitted and sold by the City to its residential and commercial customers. In October 2006, TVA began adjusting the wholesale power costs to the City for a fuel cost adjustment (FCA). These FCA cost adjustments are passed through in electric rate adjustments to the City's customers each month and can fluctuate the City's electric rates either up or down. TVA did a major restructuring to the wholesale power billing structure to distributors effective April 1, 2011. The City raised electric rates 1.9% in October 2010 in preparation for the new rate structure changes.

The net assets of the waterworks fund decreased by \$727,292 from fiscal 2011. Contributing to the decrease was \$683,200 increase in operating expenses. Operating revenues decreased \$74,610 in comparison to the prior fiscal year, primarily from \$604,114 in reduced revenues from treated water and wastewater charges for US Department of Energy (DOE) facilities. The reduction in revenue from DOE facilities was by water and wastewater rates increases effective May 1, 2012. An additional increase was approved by City Council effective January 1, 2013.

Financial Analysis of the Government's Funds

As noted earlier, the City of Oak Ridge uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Oak Ridge's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Oak Ridge's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Oak Ridge's governmental funds reported combined ending fund balances of \$32,805,170, an increase of \$129,732 in comparison to the prior year. Of this amount, \$3,583,940 is nonspendable and is comprised of a \$3,333,333 long-term interfund note receivable, advances to other funds and prepaid items, \$10,639,781 is restricted with externally enforceable limitations on use, \$74,825 is committed, \$13,464,399 is assigned as designated usage and \$5,042,225 is unassigned.

The general fund is the chief operating fund of the City of Oak Ridge. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$5,042,225, while total fund balance reaching \$9,217,049. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 23.5% of total general fund expenditures. However, unassigned fund balance only represents 11.9% when compared to total fund expenditures and transfers to other funds (e.g. school and debt service funds).

The fund balance of the City of Oak Ridge's general fund decreased by \$251,699 during the current fiscal year. The general fund had a budgeted fund balance decrease of \$1,495,303. Expenditures were \$486,985 below budget, primarily due to retirements of several long-term employees. Revenues were \$667,952 above budget, primarily due to delinquent property tax and business tax collections.

General fund revenues increased overall \$785,787 from the preceding fiscal year. Intergovernmental revenues decreased by \$488,288 in comparison to the prior year due to a decline in collections from sales and use taxes generated from stimulus spending from federal contractors located within Oak Ridge. Tax collections were up \$1,224,811 in comparison to fiscal 2011, due to delinquent property and business tax collections.

There were no budgetary amendments to the legal expenditure appropriation of the General Fund during fiscal 2012.

The debt service fund has a total fund balance of \$11,029,837, of which \$9,294,733 is restricted to debt service on Oak Ridge High School debt issuances and \$1,735,104 is assigned for the payment of debt service. The net decrease in fund balance of the debt service fund during the current year was \$963,774.

The capital projects fund has a total fund balance of \$2,133,392. The net increase in fund balance of capital service fund during the current year was \$756,952, from operating transfers from the general fund. The unspent operating transfer proceeds are slated for projects that were delayed until fiscal 2013.

Proprietary funds. The City of Oak Ridge’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets at the end of the year amounted to \$1,751,591 for the electric fund, \$4,054,315 for the waterworks fund, and \$897,497 for the emergency communications district fund. Unrestricted net assets increased \$715,708 in the electric fund and \$60,781 in emergency communications fund from the prior fiscal year. The unrestricted net assets of the waterworks fund increased by \$1,934,317, mainly due to a \$1,666,667 reduction in the interfund loan amount owed to City’s General Fund.

Capital Asset and Debt Administration

Capital assets. The City of Oak Ridge’s investment in capital assets for its governmental and business type activities as of June 30, 2012, amounts to \$283,696,050 (net of accumulated depreciation), which is a \$352,637 increase over last fiscal year. This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, construction in progress and infrastructure.

City of Oak Ridge’s Capital Assets

| | Governmental activities | | Business-type activities | | Total | |
|--------------------------|-------------------------|----------------------|--------------------------|-----------------------|----------------------|----------------------|
| | FY2012 | FY2011 | FY2012 | FY2011 | FY2012 | FY2011 |
| Land | \$ 4,144,860 | \$ 3,095,244 | \$ 755,193 | \$ 755,193 | \$ 4,900,053 | \$ 3,850,437 |
| Construction in progress | - | - | 3,635,309 | 3,018,225 | 3,635,309 | 3,018,225 |
| Buildings | 85,566,235 | 88,276,568 | - | - | 85,566,235 | 88,276,568 |
| Improvements | 7,061,396 | 6,806,912 | - | - | 7,061,396 | 6,806,912 |
| Infrastructure | 30,655,062 | 31,390,970 | - | - | 30,655,062 | 31,390,970 |
| Equipment | 12,453,010 | 13,640,999 | 3,440,984 | 3,130,787 | 15,893,994 | 16,771,786 |
| Electric Plant | - | - | 45,333,521 | 45,794,914 | 45,333,521 | 45,794,914 |
| Waterworks Plant | - | - | 90,650,480 | 87,433,601 | 90,650,480 | 87,433,601 |
| Total | \$139,880,563 | \$143,210,693 | \$143,815,487 | \$ 140,132,720 | \$283,696,050 | \$283,343,413 |

Major capital asset events during the current fiscal year included the following:

- Public Works activities added \$579,839 in capital assets, which included \$386,262 in streets, stormwater and sidewalk systems improvements. Other projects included

\$144,940 in equipment, improvements, and \$48,637 for remodel of Police Department and Mayor's Entrance at the Municipal Building.

- Community Services and Development activities added \$823,224, including \$49,916 to complete a community rebuild of the Cedar Hill Park playground, \$655,472 for continuing construction of the Melton Lake Greenway Phase IV, \$77,000 in land, \$16,575 for miscellaneous recreational facility improvements and \$24,261 in equipment.
- Educational activities increased \$1,367,576.
- Business-type activities added \$10,970,482 in capital assets. \$2,131,234 in electrical capital assets was added, primarily for routine replacement of overhead and underground distribution systems. \$8,839,248 in waterworks capital assets was added, which included \$3,261,410 in water improvements and \$5,577,838 in wastewater improvements. Wastewater capital projects included those required to meet the Administrative Order by the Environmental Protection Agency (EAP). Refer to Note 22. The above includes \$582,555 in donated water and wastewater assets during the fiscal year.

Additional information on the City of Oak Ridge's capital assets can be found in Note 12 on pages 57 - 58 of this report.

Long-term debt. At the end of the current fiscal year, the City of Oak Ridge had total long-term debt outstanding of \$170,436,057. Of this amount, \$100,159,643 comprises debt backed solely by the full faith and credit of the City. \$66,286,414 in long-term debt is secured by specified revenue sources (electric and waterworks debt); however, in the event of default, the full faith and credit of the City are irrevocably pledged. The \$3,990,000 in remaining debt is backed by the income and revenues from the operation of the electric power distribution system.

City of Oak Ridge's Outstanding Debt
General Obligation and Revenue Long-Term Debt

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | FY2012 | FY2011 | FY2012 | FY2011 | FY2012 | FY2011 |
| General obligation and Revenue bonds | \$ 40,235,000 | \$ 43,330,000 | \$35,690,000 | \$27,300,000 | \$ 75,925,000 | \$ 70,630,000 |
| Qualified Zone Academy Bonds(QZAB) | 4,584,765 | 5,094,184 | - | - | 4,584,765 | 5,094,184 |
| Long-term notes and loans | 54,488,053 | 54,760,053 | 33,932,728 | 36,779,054 | 88,420,781 | 91,539,107 |
| Capital leases | 851,825 | 119,869 | 653,686 | 766,420 | 1,505,511 | 886,289 |
| Total | \$100,159,643 | \$103,304,106 | \$70,276,414 | \$64,845,474 | \$170,436,057 | \$168,149,580 |

The City of Oak Ridge's total debt increased by \$2,286,477 (1.35%) during the current fiscal year.

Effective November 1, 2010, the waterworks fund entered into a \$5,000,000 interfund loan with the General Fund. Under Tennessee State Law, this is in the form of a capital outlay note issuance by the waterworks fund. The note will be repaid over a 3 year period. The balance at June 30, 2012 was \$3,333,333.

In September 29, 2011, the City issued \$9,810,000 in General Obligation Bonds to fund water and wastewater capital improvements, including the first phase of wastewater capital required by the EPA Administrative Order.

During fiscal 2003, a \$7,000,000 was approved through the Tennessee State Revolving Fund (SRF) administered by the Tennessee Department of Environment and Conservation (TDEC) to finance the fiscals 2005 to 2013 phase of the wastewater system rehabilitation project. At June 30, 2012, there was \$1,295,054 remaining available funding from this loan.

The City has \$25,875,000 in outstanding debt for which the City has entered into an interest rate swap agreement. During the term of these swap agreements, the city effectively pays a fixed rate on the debt plus or minus the difference between the variable interest due to the bondholders and the variable rate received from the counterparty. For additional information regarding these swaps refer to Note 13.

Additional information on the City of Oak Ridge's long-term debt can be found in Note 13 on pages 59-77 of this report.

The City of Oak Ridge maintains an "Aa2" from Moody's and an "AA" rating from Standard & Poor's for general obligation debt. State statutes do not limit the amount of general obligation debt a governmental entity may issue.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Oak Ridge in census year 2010 was 8.2%. Data for Oak Ridge is only available in census years. Oak Ridge's unemployment rate has historically been well below that of Anderson County, State and national levels.
- While numerous major projects in Oak Ridge are in the planning and construction phase, including the Rarity Ridge, Rarity Oaks, Grove Park Commons, Crossroads at Wolf Creek, Clark's Preserve, and Centennial Village developments, enhanced revenues to the City are not anticipated from these projects until fiscal 2013 and beyond. These projects are continuing to move forward, however, progress on some has slowed considerably due to nationwide housing and construction lending trends. Therefore, moderate assessment growth is anticipated for fiscal 2013 from actual fiscal 2012 levels.
- Property tax collections are budgeted to drop 1.0% for fiscal 2013 based on a reduction in appraised value for parcels located in large development projects that have slowed due to the national economy.
- Local sales and use tax collections are anticipated to continue to decline due to reduced stimulus funded spending by the federal contractors located within Oak Ridge. The fiscal 2013 local sales and use tax collections were budgeted 4.6% below budget 2012. It is anticipation that a gradual slowing in the stimulus spending will occur in mid-fiscal 2013.
- Inflationary trends in the region compare with national indices. A major driver of increased expenses continues to be medical and retirement costs, which mirrors national trends. Increased costs for fuel, electricity and natural gas also impacted the fiscal 2013 budget.
- \$697,871 in fund balance is budgeted to be drawn in fiscal 2013, primarily to maintain the property tax rate at the fiscal 2012 level. Future property taxes will be impacted by approximately 7.75-cents if revenue growth does not occur to offset the fund balance draw in future fiscal years.

All of these factors were considered in preparing the City of Oak Ridge's budget for the 2013 fiscal year.

During the fiscal 2012, the unassigned fund balance in the general fund increased by \$2,195,923 to \$5,042,225. This increase was primarily from the first payment of the \$5,000,000 interfund loan from the general fund to the City's waterworks Fund. This \$5,000,000 loan amount is classified as nonspendable fund balance at year end in the general fund. It will be repaid by the

waterworks fund over a three year period. The interfund loan balance at June 30, 2012 is \$3,333,333.

Management has again been conservative in estimating revenues for 2013. The City's fiscal 2013 property tax rate remained at the fiscal 2012 rate of \$2.39 per hundred dollars of assessment.

Requests for Information

This financial report is designed to provide a general overview of the City of Oak Ridge's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Oak Ridge, Office of the Finance Director, P.O. Box 1, Oak Ridge, TN 37831-0001.

CITY OF OAK RIDGE, TENNESSEE
STATEMENT OF NET ASSETS
June 30, 2012

| | Governmental Activities | Business Type Activities | Total Primary Government | Component Units | | Total Reporting Unit |
|--|----------------------------|--------------------------------|--------------------------------|--------------------------------------|-------------------------|----------------------------|
| | | | | Convention and Visitors Bureau | Education Foundation | |
| Assets | | | | | | |
| Cash and cash equivalents | \$ 36,526,710 | \$ 6,099,908 | \$ 42,626,618 | \$ 22,401 | \$ 117,191 | \$ 42,766,210 |
| Investments | - | - | - | - | 5,895,593 | 5,895,593 |
| Receivables, net | 19,630,180 | 8,827,084 | 28,457,264 | 12,125 | - | 28,469,389 |
| Internal balances | 112,500 | (112,500) | - | - | - | - |
| Due from other governments | 5,284,603 | 122,762 | 5,407,365 | - | - | 5,407,365 |
| Inventory, at cost | 20,994 | 3,225,877 | 3,246,871 | - | - | 3,246,871 |
| Prepaid items | 117,113 | - | 117,113 | - | - | 117,113 |
| Restricted assets: | | | | | | |
| Cash and cash equivalents | 34,104 | 1,095,824 | 1,129,928 | - | - | 1,129,928 |
| Deferred charges | 3,783 | 264,328 | 268,111 | - | - | 268,111 |
| Long-term internal note receivable | 3,333,333 | (3,333,333) | - | - | - | - |
| Capital assets nondepreciable | 4,144,860 | 4,390,502 | 8,535,362 | - | - | 8,535,362 |
| Capital assets depreciable, net | 135,735,703 | 139,424,985 | 275,160,688 | - | - | 275,160,688 |
| Total assets | 204,943,883 | 160,005,437 | 364,949,320 | 34,526 | 6,012,784 | 370,996,630 |
| Liabilities | | | | | | |
| Accounts payable | 2,773,718 | 8,812,127 | 11,585,845 | - | - | 11,585,845 |
| Claims payable | 300,000 | - | 300,000 | - | - | 300,000 |
| Accrued liabilities | 3,808,576 | 126,389 | 3,934,965 | - | 970 | 3,935,935 |
| Deposits | 598,358 | 2,344,653 | 2,943,011 | - | - | 2,943,011 |
| Due to other governments | 329,813 | 73,902 | 403,715 | - | - | 403,715 |
| Unearned revenue | 19,413,322 | - | 19,413,322 | - | - | 19,413,322 |
| Contracts payable | - | 99,152 | 99,152 | - | - | 99,152 |
| Accrued interest payable | 290,405 | 149,930 | 440,335 | - | - | 440,335 |
| Long-term liabilities: | | | | | | |
| Due within one year | 6,918,377 | 5,549,242 | 12,467,619 | - | - | 12,467,619 |
| Due in more than one year | 102,645,598 | 62,698,378 | 165,343,976 | - | - | 165,343,976 |
| Derivative instrument - interest rate swaps | 7,285,492 | - | 7,285,492 | - | - | 7,285,492 |
| Total liabilities | 144,363,659 | 79,853,773 | 224,217,432 | - | 970 | 224,218,402 |
| Net assets | | | | | | |
| Invested in capital assets net of related debt | 39,810,637 | 73,448,261 | 113,258,898 | - | - | 113,258,898 |
| Restricted for: | | | | | | |
| Education grants | - | - | - | - | 6,011,814 | 6,011,814 |
| Unrestricted | 20,769,587 | 6,703,403 | 27,472,990 | 34,526 | - | 27,507,516 |
| Total net assets | \$ 60,580,224 | \$ 80,151,664 | \$ 140,731,888 | \$ 34,526 | \$ 6,011,814 | \$ 146,778,228 |

CITY OF OAK RIDGE, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | | | | |
|--|-----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|--------------------------------|----------------------|-----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Units | | Total Reporting Unit |
| | | | | | Governmental Activities | Business-type Activities | Total | Convention and Visitors Bureau | Education Foundation | |
| Primary government: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 666,017 | \$ 935,280 | \$ 31,383 | \$ - | \$ 300,646 | \$ - | \$ 300,646 | \$ - | \$ - | \$ 300,646 |
| Administration | 968,733 | - | - | - | (968,733) | - | (968,733) | - | - | (968,733) |
| Public safety | 12,798,262 | 895,676 | 2,375,520 | 113,766 | (9,413,300) | - | (9,413,300) | - | - | (9,413,300) |
| Public works | 7,221,150 | - | - | 4,920 | (7,216,230) | - | (7,216,230) | - | - | (7,216,230) |
| Community services | 8,541,374 | 2,572,394 | 815,077 | - | (5,153,903) | - | (5,153,903) | - | - | (5,153,903) |
| Education | 57,585,524 | 1,427,525 | 38,263,149 | - | (17,894,850) | - | (17,894,850) | - | - | (17,894,850) |
| Interest and fiscal charges | 3,705,803 | - | - | - | (3,705,803) | - | (3,705,803) | - | - | (3,705,803) |
| Total governmental activities | <u>91,486,863</u> | <u>5,830,875</u> | <u>41,485,129</u> | <u>118,686</u> | <u>(44,052,173)</u> | <u>-</u> | <u>(44,052,173)</u> | <u>-</u> | <u>-</u> | <u>(44,052,173)</u> |
| Business-type activities: | | | | | | | | | | |
| Electric | 51,952,938 | 52,650,987 | - | 26,546 | - | 724,595 | 724,595 | - | - | 724,595 |
| Waterworks | 18,621,033 | 18,551,034 | - | 669,210 | - | 599,211 | 599,211 | - | - | 599,211 |
| Emergency communication district | 478,965 | 505,107 | 24,456 | - | - | 50,598 | 50,598 | - | - | 50,598 |
| Total business-type activities | <u>71,052,936</u> | <u>71,707,128</u> | <u>24,456</u> | <u>695,756</u> | <u>-</u> | <u>1,374,404</u> | <u>1,374,404</u> | <u>-</u> | <u>-</u> | <u>1,374,404</u> |
| Total primary government | <u>\$ 162,539,799</u> | <u>\$ 77,538,003</u> | <u>\$ 41,509,585</u> | <u>\$ 814,442</u> | <u>(44,052,173)</u> | <u>1,374,404</u> | <u>(42,677,769)</u> | <u>-</u> | <u>-</u> | <u>(42,677,769)</u> |
| Component units: | | | | | | | | | | |
| Convention and Visitors Bureau | \$ 389,990 | \$ - | \$ 14,000 | \$ - | - | - | - | (375,990) | - | (375,990) |
| Education Foundation | 496,559 | - | - | 36,564 | - | - | - | - | (459,995) | (459,995) |
| Total component units | <u>\$ 886,549</u> | <u>\$ -</u> | <u>\$ 14,000</u> | <u>\$ 36,564</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(375,990)</u> | <u>(459,995)</u> | <u>(835,985)</u> |
| General revenues: | | | | | | | | | | |
| Real & personal property taxes | | | | | 20,228,638 | - | 20,228,638 | - | - | 20,228,638 |
| In-lieu of tax payments | | | | | 2,182,332 | - | 2,182,332 | - | - | 2,182,332 |
| Sales taxes | | | | | 10,949,982 | - | 10,949,982 | - | - | 10,949,982 |
| Unrestricted state shared taxes | | | | | 3,934,144 | - | 3,934,144 | - | - | 3,934,144 |
| Business taxes | | | | | 1,118,107 | - | 1,118,107 | - | - | 1,118,107 |
| Occupancy taxes | | | | | 482,365 | - | 482,365 | - | - | 482,365 |
| Wholesale beer & liquor taxes | | | | | 844,879 | - | 844,879 | - | - | 844,879 |
| Investment earnings | | | | | 91,463 | 56,362 | 147,825 | 3 | 265,641 | 413,469 |
| Investment income - change in fair value of interest rate swaps, net | | | | | (4,830,873) | - | (4,830,873) | - | - | (4,830,873) |
| Miscellaneous | | | | | 1,572,966 | 2,394,490 | 3,967,456 | 404,208 | - | 4,371,664 |
| Transfers | | | | | 2,855,907 | (2,855,907) | - | - | - | - |
| Total general revenues and transfers | | | | | <u>39,429,910</u> | <u>(405,055)</u> | <u>39,024,855</u> | <u>404,211</u> | <u>265,641</u> | <u>39,694,707</u> |
| Change in net assets | | | | | (4,622,263) | 969,349 | (3,652,914) | 28,221 | (194,354) | (3,819,047) |
| Net assets - beginning | | | | | 65,202,487 | 79,182,315 | 144,384,802 | 6,305 | 6,206,168 | 150,597,275 |
| Net assets - ending | | | | | <u>\$ 60,580,224</u> | <u>\$ 80,151,664</u> | <u>\$ 140,731,888</u> | <u>\$ 34,526</u> | <u>\$ 6,011,814</u> | <u>\$ 146,778,228</u> |

The notes to the financial statements are an integral part of these financial statements.

CITY OF OAK RIDGE, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

| | General Fund | School Fund | Capital Projects Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|----------------------|-----------------------------|-------------------------|--------------------------------|--------------------------------|
| Assets | | | | | | |
| Cash and cash equivalents | \$ 5,638,077 | \$ 9,589,960 | \$ 2,063,873 | \$ 10,329,573 | \$ 4,170,328 | \$ 31,791,811 |
| Receivables, net | 18,669,799 | 21,805 | - | 469,124 | 469,452 | 19,630,180 |
| Due from other funds | 117,938 | - | - | - | - | 117,938 |
| Due from other governments | 2,612,617 | 1,806,602 | 221,409 | 231,140 | 412,835 | 5,284,603 |
| Advances to other funds | 112,500 | - | - | - | - | 112,500 |
| Inventories, at cost | - | - | - | - | 20,994 | 20,994 |
| Prepaid items | 6,120 | 88,167 | - | - | 22,826 | 117,113 |
| Restricted assets: | | | | | | |
| Cash and cash equivalents | - | - | 34,104 | - | - | 34,104 |
| Long-term interfund note receivable | 3,333,333 | - | - | - | - | 3,333,333 |
| Total assets | \$ 30,490,384 | \$ 11,506,534 | \$ 2,319,386 | \$ 11,029,837 | \$ 5,096,435 | \$ 60,442,576 |
| Liabilities and fund balances | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 550,488 | \$ 1,677,784 | \$ 45,156 | \$ - | \$ 402,968 | \$ 2,676,396 |
| Accrued liabilities | 257,139 | 3,520,115 | - | - | 24,971 | 3,802,225 |
| Deposits | 457,520 | - | 140,838 | - | - | 598,358 |
| Due to other funds | - | - | - | - | 117,938 | 117,938 |
| Due to other governments | 2,864 | 326,949 | - | - | - | 329,813 |
| Deferred revenue | 20,005,324 | 678 | - | - | 106,674 | 20,112,676 |
| Total liabilities | 21,273,335 | 5,525,526 | 185,994 | - | 652,551 | 27,637,406 |
| Fund balances: | | | | | | |
| Nonspendable | 3,451,953 | 88,167 | - | - | 43,820 | 3,583,940 |
| Restricted | - | 141,603 | 34,104 | 9,294,733 | 1,169,341 | 10,639,781 |
| Committed | - | 74,825 | - | - | - | 74,825 |
| Assigned | 722,871 | 5,676,413 | 2,099,288 | 1,735,104 | 3,230,723 | 13,464,399 |
| Unassigned | 5,042,225 | - | - | - | - | 5,042,225 |
| Total fund balances | 9,217,049 | 5,981,008 | 2,133,392 | 11,029,837 | 4,443,884 | 32,805,170 |
| Total liabilities and fund balances | \$ 30,490,384 | \$ 11,506,534 | \$ 2,319,386 | \$ 11,029,837 | \$ 5,096,435 | \$ 60,442,576 |

CITY OF OAK RIDGE, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
June 30, 2012

Amounts reported for governmental activities in the statement of net assets are different because:

| | | |
|---|----|---------------|
| Ending fund balance - governmental funds | \$ | 32,805,170 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 136,723,989 |
| Internal service funds are used by management to charge the costs of insurance and equipment replacement costs to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net assets. | | 6,640,799 |
| Property tax revenues that have been deferred in the balance sheet of the governmental funds because they were not available to pay current liabilities of the period are recognized as revenue in the statement of activities and therefore are not included in the statement of net assets. | | 699,354 |
| Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds. | | |
| General Obligation Debt | \$ | (39,465,000) |
| Qualified Zone Academy Bonds (QZAB) | | (4,584,765) |
| Capital Lease Obligation | | (851,825) |
| Notes Payable | | (54,488,053) |
| Discounts and Premiums (net) | | (1,665,764) |
| Compensated Absences | | (2,592,930) |
| Termination Benefits | | (384,075) |
| OPEB Obligation | | (4,682,505) |
| Derivative Liability - Ineffective Interest Rate Swap | | (7,285,492) |
| Accrued Interest | | (288,679) |
| | | (116,289,088) |
| Net assets of governmental activities | \$ | 60,580,224 |

The notes to the financial statements are an integral part of these financial statements.

CITY OF OAK RIDGE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012

| | General Fund | School Fund | Capital Projects Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------|-----------------------------|-------------------------|--------------------------------|--------------------------------|
| Revenues | | | | | | |
| Taxes | \$ 23,172,607 | \$ - | \$ - | \$ 1,838,793 | \$ 482,365 | \$ 25,493,765 |
| Licenses and permits | 173,179 | - | - | - | - | 173,179 |
| Intergovernmental | 13,397,048 | 38,263,149 | - | - | 4,151,610 | 55,811,807 |
| Charges for services | 1,370,125 | 1,401,325 | - | 892,732 | 1,200,450 | 4,864,632 |
| Fines and forfeitures | 324,693 | - | - | - | 540,145 | 864,838 |
| Interest | 63,426 | - | 1,830 | 13,998 | 5,515 | 84,769 |
| Other | 507,143 | 336,646 | - | 509,419 | 112,329 | 1,465,537 |
| Total revenues | 39,008,221 | 40,001,120 | 1,830 | 3,254,942 | 6,492,414 | 88,758,527 |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General government | 905,182 | - | - | - | - | 905,182 |
| Administration | 917,059 | - | - | - | - | 917,059 |
| Public safety | 10,276,714 | - | - | - | 2,899,049 | 13,175,763 |
| Public works | 4,511,849 | - | - | - | 1,315,178 | 5,827,027 |
| Community services | 4,886,631 | - | - | - | 2,838,082 | 7,724,713 |
| Education | - | 55,490,939 | - | - | - | 55,490,939 |
| Capital outlay | - | - | 1,256,878 | - | - | 1,256,878 |
| Debt service: | | | | | | |
| Principal retirement | - | - | - | 3,599,419 | 72,000 | 3,671,419 |
| Interest and fiscal charges | - | - | - | 3,664,297 | 4,269 | 3,668,566 |
| Total expenditures | 21,497,435 | 55,490,939 | 1,256,878 | 7,263,716 | 7,128,578 | 92,637,546 |
| Excess (deficiency) of revenues over (under) expenditures | 17,510,786 | (15,489,819) | (1,255,048) | (4,008,774) | (636,164) | (3,879,019) |
| Other financing sources (uses) | | | | | | |
| Transfers in | 2,855,907 | 14,629,302 | 2,012,000 | 3,045,000 | 932,090 | 23,474,299 |
| Transfers out | (20,618,392) | - | - | - | - | (20,618,392) |
| Capital lease issuance | - | 1,152,844 | - | - | - | 1,152,844 |
| Total other financing sources (uses) | (17,762,485) | 15,782,146 | 2,012,000 | 3,045,000 | 932,090 | 4,008,751 |
| Net change in fund balances | (251,699) | 292,327 | 756,952 | (963,774) | 295,926 | 129,732 |
| Fund balance - beginning | 9,468,748 | 5,688,681 | 1,376,440 | 11,993,611 | 4,147,958 | 32,675,438 |
| Fund balance - ending | \$ 9,217,049 | \$ 5,981,008 | \$ 2,133,392 | \$ 11,029,837 | \$ 4,443,884 | \$ 32,805,170 |

CITY OF OAK RIDGE, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|---|-----------------------|
| Net change in fund balances - total governmental funds | \$ 129,732 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expenses (\$5,551,543) exceed net gain on disposal of fixed assets (\$0) and capital outlay (\$2,740,542) . | (2,811,001) |
| Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 34,518 |
| The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, the issuance of debt increases long-term liabilities in the statement of net assets and the principal payment of these liabilities decreases them. This is the amount by which the debt payments exceeded the debt issuances. | 2,625,591 |
| Change in fair value of ineffective derivative - interest rate swap | (4,830,873) |
| Accrued interest associated with long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds. | (9,005) |
| The net change of the insurance fund of the internal service funds is reported with governmental activities. | 1,843 |
| The net change of the equipment replacement fund of the internal service funds is reported with governmental activities. | 362,461 |
| The net change of the school equipment replacement fund of the internal service funds is reported with governmental activities. | (125,529) |
| Change in net assets of governmental activities | <u>\$ (4,622,263)</u> |

The notes to the financial statements are an integral part of these financial statements.

CITY OF OAK RIDGE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2012

| General Fund | | | | | | |
|--|---------------------|---------------------|---------------------|-------------------------------------|---------------------------------|--|
| | Original Budget | Final Budget | Actual | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Variance With Final Positive (Negative) |
| Revenues | | | | | | |
| Taxes | \$ 22,148,000 | \$ 22,148,000 | \$ 23,172,607 | \$ - | \$ 23,172,607 | \$ 1,024,607 |
| Licenses and permits | 203,000 | 203,000 | 173,179 | - | 173,179 | (29,821) |
| Intergovernmental | 13,771,199 | 13,771,199 | 13,397,048 | - | 13,397,048 | (374,151) |
| Charges for services | 1,348,070 | 1,348,070 | 1,370,125 | - | 1,370,125 | 22,055 |
| Fines and forfeitures | 362,000 | 362,000 | 324,693 | - | 324,693 | (37,307) |
| Interest | 50,000 | 50,000 | 63,426 | - | 63,426 | 13,426 |
| Other | 458,000 | 458,000 | 507,143 | - | 507,143 | 49,143 |
| Total revenues | <u>38,340,269</u> | <u>38,340,269</u> | <u>39,008,221</u> | <u>-</u> | <u>39,008,221</u> | <u>667,952</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General government | 969,669 | 969,669 | 905,182 | - | 905,182 | 64,487 |
| Administration | 915,888 | 915,888 | 917,059 | - | 917,059 | (1,171) |
| Public safety | 10,515,007 | 10,515,007 | 10,276,714 | - | 10,276,714 | 238,293 |
| Public works | 4,589,758 | 4,589,758 | 4,511,849 | 25,000 | 4,536,849 | 52,909 |
| Community services | 4,994,098 | 4,994,098 | 4,886,631 | - | 4,886,631 | 107,467 |
| Total expenditures | <u>21,984,420</u> | <u>21,984,420</u> | <u>21,497,435</u> | <u>25,000</u> | <u>21,522,435</u> | <u>461,985</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>16,355,849</u> | <u>16,355,849</u> | <u>17,510,786</u> | <u>(25,000)</u> | <u>17,485,786</u> | <u>1,129,937</u> |
| Other financing sources (uses) | | | | | | |
| Transfers in | 2,765,000 | 2,765,000 | 2,855,907 | - | 2,855,907 | 90,907 |
| Transfers out | (20,616,152) | (20,616,152) | (20,618,392) | - | (20,618,392) | (2,240) |
| Total other financing sources (uses) | <u>(17,851,152)</u> | <u>(17,851,152)</u> | <u>(17,762,485)</u> | <u>-</u> | <u>(17,762,485)</u> | <u>88,667</u> |
| Net change in fund balances | <u>(1,495,303)</u> | <u>(1,495,303)</u> | <u>(251,699)</u> | <u>(25,000)</u> | <u>(276,699)</u> | <u>1,218,604</u> |
| Fund balance - beginning | <u>9,468,748</u> | <u>9,468,748</u> | <u>9,468,748</u> | <u>-</u> | <u>9,468,748</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 7,973,445</u> | <u>\$ 7,973,445</u> | <u>\$ 9,217,049</u> | <u>\$ (25,000)</u> | <u>\$ 9,192,049</u> | <u>\$ 1,218,604</u> |

CITY OF OAK RIDGE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND - SCHOOL FUND
For the Fiscal Year Ended June 30, 2012

| | School Fund | | | | | |
|--|---------------------|---------------------|---------------------|-------------------------------------|---------------------------------|--|
| | Original Budget | Final Budget | Actual | Adjustment to Budgetary Basis | Actual on Budgetary Basis | Variance With Final Positive (Negative) |
| Revenues | | | | | | |
| Intergovernmental | \$ 38,985,230 | \$ 38,987,227 | \$ 38,263,149 | \$ - | \$ 38,263,149 | \$ (724,078) |
| Charges for services | 1,572,274 | 1,572,274 | 1,401,325 | - | 1,401,325 | (170,949) |
| Other | 376,525 | 382,635 | 336,646 | - | 336,646 | (45,989) |
| Total revenues | <u>40,934,029</u> | <u>40,942,136</u> | <u>40,001,120</u> | <u>-</u> | <u>40,001,120</u> | <u>(941,016)</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| Education | 57,577,851 | 56,575,222 | 55,490,939 | - | 55,490,939 | 1,084,283 |
| Total expenditures | <u>57,577,851</u> | <u>56,575,222</u> | <u>55,490,939</u> | <u>-</u> | <u>55,490,939</u> | <u>1,084,283</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(16,643,822)</u> | <u>(15,633,086)</u> | <u>(15,489,819)</u> | <u>-</u> | <u>(15,489,819)</u> | <u>143,267</u> |
| Other financing sources (uses) | | | | | | |
| Transfers in | 14,629,302 | 14,629,302 | 14,629,302 | - | 14,629,302 | - |
| Capital lease issuance | - | - | 1,152,844 | - | 1,152,844 | 1,152,844 |
| Total other financing sources (uses) | <u>14,629,302</u> | <u>14,629,302</u> | <u>15,782,146</u> | <u>-</u> | <u>15,782,146</u> | <u>1,152,844</u> |
| Net change in fund balances | (2,014,520) | (1,003,784) | 292,327 | - | 292,327 | 1,296,111 |
| Fund balance - beginning | <u>5,688,681</u> | <u>5,688,681</u> | <u>5,688,681</u> | <u>-</u> | <u>5,688,681</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 3,674,161</u> | <u>\$ 4,684,897</u> | <u>\$ 5,981,008</u> | <u>\$ -</u> | <u>\$ 5,981,008</u> | <u>\$ 1,296,111</u> |

CITY OF OAK RIDGE, TENNESSEE
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

| | | <u>Enterprise Funds</u> | | | | |
|--|--|-------------------------|----------------------|----------------------|----------------------|-------------------------|
| | | <u>Electric</u> | <u>Waterworks</u> | <u>Nonmajor Fund</u> | <u>Totals</u> | <u>Internal Service</u> |
| | | <u>Fund</u> | <u>Fund</u> | <u>Emergency</u> | | <u>Funds</u> |
| <u>ASSETS</u> | | | | <u>Communication</u> | | |
| | | | | <u>District Fund</u> | | |
| Current assets | | | | | | |
| Cash and cash equivalents | | \$ 3,918,305 | \$ 1,300,693 | \$ 880,910 | \$ 6,099,908 | \$ 4,734,899 |
| Receivables, net | | 6,545,116 | 2,259,121 | 22,847 | 8,827,084 | - |
| Due from other governments | | - | 87,655 | 35,107 | 122,762 | - |
| Inventory, at cost | | - | - | - | - | 3,225,877 |
| Total current unrestricted assets | | <u>10,463,421</u> | <u>3,647,469</u> | <u>938,864</u> | <u>15,049,754</u> | <u>7,960,776</u> |
| Restricted assets | | | | | | |
| Cash and cash equivalents | | 98,360 | 997,464 | - | 1,095,824 | - |
| Total current restricted assets | | <u>98,360</u> | <u>997,464</u> | <u>-</u> | <u>1,095,824</u> | <u>-</u> |
| Total current assets | | <u>10,561,781</u> | <u>4,644,933</u> | <u>938,864</u> | <u>16,145,578</u> | <u>7,960,776</u> |
| Noncurrent assets | | | | | | |
| Capital assets, net | | 50,272,398 | 92,959,911 | 583,178 | 143,815,487 | 3,156,574 |
| Advances to other funds | | 1,815,000 | 1,173,261 | - | 2,988,261 | - |
| Deferred charges | | 94,424 | 169,904 | - | 264,328 | 3,783 |
| Total noncurrent assets | | <u>52,181,822</u> | <u>94,303,076</u> | <u>583,178</u> | <u>147,068,076</u> | <u>3,160,357</u> |
| Total assets | | <u>62,743,603</u> | <u>98,948,009</u> | <u>1,522,042</u> | <u>163,213,654</u> | <u>11,121,133</u> |
| <u>LIABILITIES</u> | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable | | 7,882,644 | 779,278 | 25,089 | 8,687,011 | 222,438 |
| Claims payable | | - | - | - | - | 300,000 |
| Accrued liabilities | | 55,827 | 70,562 | - | 126,389 | 6,351 |
| Deposits | | 2,274,653 | 70,000 | - | 2,344,653 | - |
| Due to other governments | | 70,207 | 3,695 | - | 73,902 | - |
| Advances from other funds | | - | - | - | - | 3,100,761 |
| Current portion of long-term liabilities | | 1,417,944 | 4,012,950 | 118,348 | 5,549,242 | 126,435 |
| Contracts payable | | - | 99,152 | - | 99,152 | - |
| Accrued interest payable | | 67,912 | 65,741 | 16,277 | 149,930 | 1,726 |
| Total current liabilities | | <u>11,769,187</u> | <u>5,101,378</u> | <u>159,714</u> | <u>17,030,279</u> | <u>3,757,711</u> |
| Noncurrent liabilities | | | | | | |
| Vacation benefits payable | | 60,950 | 140,616 | - | 201,566 | 13,442 |
| Notes and loans payable | | 3,660,400 | 27,198,893 | 535,339 | 31,394,632 | - |
| Bonds payable | | 18,122,033 | 16,160,630 | - | 34,282,663 | 698,307 |
| OPEB liability | | 47,580 | 105,270 | - | 152,850 | 10,874 |
| Total noncurrent liabilities | | <u>21,890,963</u> | <u>43,605,409</u> | <u>535,339</u> | <u>66,031,711</u> | <u>722,623</u> |
| Total liabilities | | <u>33,660,150</u> | <u>48,706,787</u> | <u>695,053</u> | <u>83,061,990</u> | <u>4,480,334</u> |
| <u>NET ASSETS</u> | | | | | | |
| Invested in capital assets net of related debt | | 27,331,862 | 46,186,907 | (70,508) | 73,448,261 | 2,389,135 |
| Unrestricted | | 1,751,591 | 4,054,315 | 897,497 | 6,703,403 | 4,251,664 |
| Total net assets | | <u>\$ 29,083,453</u> | <u>\$ 50,241,222</u> | <u>\$ 826,989</u> | <u>\$ 80,151,664</u> | <u>\$ 6,640,799</u> |

CITY OF OAK RIDGE, TENNESSEE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2012

| | Enterprise Funds | | | | |
|---|----------------------|----------------------|---|----------------------|---------------------------|
| | Electric Fund | Waterworks Fund | Nonmajor Fund | Totals | Internal Service Funds |
| | | | Emergency Communication District Fund | | |
| Operating revenues | | | | | |
| Charges for services | \$ 52,650,987 | \$ 18,551,034 | \$ 505,107 | \$ 71,707,128 | \$ 10,223,090 |
| Other | 2,303,977 | 90,513 | - | 2,394,490 | - |
| Employer's contributions | - | - | - | - | 3,740,000 |
| Employees' contributions | - | - | - | - | 944,827 |
| Total operating revenues | <u>54,954,964</u> | <u>18,641,547</u> | <u>505,107</u> | <u>74,101,618</u> | <u>14,907,917</u> |
| Operating expenses | | | | | |
| Maintenance and administrative | 7,095,124 | 10,669,123 | 321,827 | 18,086,074 | 1,348,335 |
| Purchased power and water | 41,686,544 | 2,035,760 | - | 43,722,304 | - |
| Depreciation | 2,389,559 | 4,720,302 | 121,777 | 7,231,638 | 916,456 |
| Materials | - | - | - | - | 3,772,436 |
| Medical/liability claims | - | - | - | - | 544,996 |
| Insurance premiums | - | - | - | - | 4,907,007 |
| Other benefits | - | - | - | - | 3,172,001 |
| Total operating expenses | <u>51,171,227</u> | <u>17,425,185</u> | <u>443,604</u> | <u>69,040,016</u> | <u>14,661,231</u> |
| Operating income (loss) | <u>3,783,737</u> | <u>1,216,362</u> | <u>61,503</u> | <u>5,061,602</u> | <u>246,686</u> |
| Nonoperating revenue (expense) | | | | | |
| Gain on sale of capital assets | - | - | - | - | 9,455 |
| Intergovernmental revenue | 26,546 | 87,655 | 24,456 | 138,657 | - |
| Interest revenue | 39,775 | 15,446 | 1,141 | 56,362 | 6,694 |
| Interest expense | (781,711) | (1,195,848) | (35,361) | (2,012,920) | (28,232) |
| Total nonoperating revenue (expense) | <u>(715,390)</u> | <u>(1,092,747)</u> | <u>(9,764)</u> | <u>(1,817,901)</u> | <u>(12,083)</u> |
| Income (loss) before transfers and contributions | 3,068,347 | 123,615 | 51,739 | 3,243,701 | 234,603 |
| Transfers out | (1,423,445) | (1,432,462) | - | (2,855,907) | - |
| Capital contributions | - | 581,555 | - | 581,555 | 4,172 |
| Change in net assets | <u>1,644,902</u> | <u>(727,292)</u> | <u>51,739</u> | <u>969,349</u> | <u>238,775</u> |
| Total net assets - beginning | <u>27,438,551</u> | <u>50,968,514</u> | <u>775,250</u> | <u>79,182,315</u> | <u>6,402,024</u> |
| Total net assets - ending | <u>\$ 29,083,453</u> | <u>\$ 50,241,222</u> | <u>\$ 826,989</u> | <u>\$ 80,151,664</u> | <u>\$ 6,640,799</u> |

The notes to the financial statements are an integral part of these financial statements.

CITY OF OAK RIDGE, TENNESSEE
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2012

| | Enterprise Funds | | | | |
|---|---------------------|---------------------|---|---------------------|---------------------------|
| | Electric Fund | Waterworks Fund | Nonmajor Fund | | Internal Service Funds |
| | | | Emergency Communication District Fund | Totals | |
| Operating activities | | | | | |
| Cash received from customers | \$ 55,604,195 | \$ 18,505,384 | \$ 516,397 | \$ 74,625,976 | \$ 14,909,274 |
| Cash paid to employees | (2,838,887) | (3,055,148) | - | (5,894,035) | - |
| Cash paid to suppliers | (45,902,009) | (9,583,481) | (296,169) | (55,781,659) | (14,256,417) |
| Net cash provided by operating activities | <u>6,863,299</u> | <u>5,866,755</u> | <u>220,228</u> | <u>12,950,282</u> | <u>652,857</u> |
| Noncapital financing activities | | | | | |
| Transfers to other funds | (1,423,445) | (1,432,462) | - | (2,855,907) | - |
| Advances from (to) other funds | (275,000) | (193,344) | - | (468,344) | 468,344 |
| Federal grant proceeds | 26,546 | 87,655 | 24,456 | 138,657 | - |
| Net cash provided by (used in) noncapital financing activities | <u>(1,671,899)</u> | <u>(1,538,151)</u> | <u>24,456</u> | <u>(3,185,594)</u> | <u>468,344</u> |
| Capital and related financing activities | | | | | |
| Net proceeds from the issuance of long-term debt | - | 9,918,381 | - | 9,918,381 | - |
| Contributed capital | - | 581,555 | - | 581,555 | 4,172 |
| Acquisition and construction of capital assets | (2,069,614) | (8,692,593) | - | (10,762,207) | (378,417) |
| Principal paid on long-term debt | (1,122,765) | (3,251,942) | (112,733) | (4,487,440) | (205,000) |
| Interest paid on long-term debt | (891,920) | (1,232,886) | (38,169) | (2,162,975) | (28,916) |
| Net cash used in capital and related financing activities | <u>(4,084,299)</u> | <u>(2,677,485)</u> | <u>(150,902)</u> | <u>(6,912,686)</u> | <u>(608,161)</u> |
| Investing activities | | | | | |
| Interest and dividends on investments | 39,775 | 15,446 | 1,141 | 56,362 | 6,694 |
| Net cash provided by investing activities | <u>39,775</u> | <u>15,446</u> | <u>1,141</u> | <u>56,362</u> | <u>6,694</u> |
| Net increase (decrease) in cash and cash equivalents | <u>1,146,876</u> | <u>1,666,565</u> | <u>94,923</u> | <u>2,908,364</u> | <u>519,734</u> |
| Cash and cash equivalents | | | | | |
| Beginning of year | 2,869,789 | 631,592 | 785,987 | 4,287,368 | 4,215,165 |
| End of year | <u>\$ 4,016,665</u> | <u>\$ 2,298,157</u> | <u>\$ 880,910</u> | <u>\$ 7,195,732</u> | <u>\$ 4,734,899</u> |

(Continued)

The notes to the financial statements are an integral part of these financial statements.

**CITY OF OAK RIDGE, TENNESSEE
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2012**

| | Enterprise Funds | | | | |
|---|---------------------|---------------------|---|----------------------|---------------------------|
| | Electric Fund | Waterworks Fund | Nonmajor Fund | | Internal Service Funds |
| | | | Emergency Communication District Fund | Totals | |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities | | | | | |
| Operating income (loss) | \$ 3,783,737 | \$ 1,216,362 | \$ 61,503 | \$ 5,061,602 | \$ 246,686 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Depreciation | 2,389,559 | 4,720,302 | 121,777 | 7,231,638 | 916,456 |
| Gain on sale of equipment | - | - | - | - | (9,455) |
| Change in assets and liabilities | | | | | |
| (Increase) decrease in accounts receivable | 182,844 | (291,521) | 11,290 | (97,387) | - |
| (Increase) decrease in amortization of deferred charges | (9,758) | 168,975 | - | 159,217 | 2,224 |
| (Increase) decrease in inventory, at cost | - | - | - | - | (484,103) |
| (Increase) decrease in due to other governments | 70,207 | (83,960) | 569 | (13,184) | - |
| Increase (decrease) in accounts payable | 39,057 | 71,995 | 25,089 | 136,141 | (30,727) |
| Increase (decrease) in accrued liabilities | 10,534 | 11,106 | - | 21,640 | 1,302 |
| Increase (decrease) in accrued vacation | 1,862 | 31,983 | - | 33,845 | 8,268 |
| Increase in customer deposits | 385,604 | - | - | 385,604 | - |
| Increase (decrease) in OPEB liability | 9,653 | 21,513 | - | 31,166 | 2,206 |
| Total adjustments | <u>3,079,562</u> | <u>4,650,393</u> | <u>158,725</u> | <u>7,888,680</u> | <u>406,171</u> |
| Net cash provided by (used in) operating activities | <u>\$ 6,863,299</u> | <u>\$ 5,866,755</u> | <u>\$ 220,228</u> | <u>\$ 12,950,282</u> | <u>\$ 652,857</u> |

The notes to the financial statements are an integral part of these financial statements.

CITY OF OAK RIDGE, TENNESSEE
STATEMENTS OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012 and 2011

| | Private-purpose Trust Fund | |
|----------------------------|-----------------------------------|-------------|
| | 2012 | 2011 |
| Assets | | |
| Cash and cash equivalents | \$ 82,311 | \$ 133,739 |
| Investments, at fair value | 240,555 | 238,304 |
| Total assets | 322,866 | 372,043 |
| Liabilities | | |
| Accounts payable | - | - |
| Total liabilities | - | - |
| Net assets | | |
| Held in Trust for: | | |
| Reserved for endowment | 322,866 | 372,043 |
| Total net assets | \$ 322,866 | \$ 372,043 |

The notes to the financial statements are an integral part of these financial statements.

CITY OF OAK RIDGE, TENNESSEE
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Fiscal Years Ended June 30, 2012 and June 30, 2011

| | Private-purpose Trust Fund | |
|-------------------------------------|-----------------------------------|--------------------------|
| | 2012 | 2011 |
| Additions | | |
| Contributions | \$ 2,900 | \$ 10,115 |
| Investment income | 7,703 | 6,245 |
| Total additions | <u>10,603</u> | <u>16,360</u> |
| Deductions | | |
| Scholarship awards | 59,780 | 15,238 |
| Total deductions | <u>59,780</u> | <u>15,238</u> |
| Change in net assets | (49,177) | 1,122 |
| Total net assets - beginning | <u>372,043</u> | <u>370,921</u> |
| Total net assets - ending | <u><u>\$ 322,866</u></u> | <u><u>\$ 372,043</u></u> |

The notes to the financial statements are an integral part of these financial statements.

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30 2012**

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**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Oak Ridge, Tennessee (the "City"), conform to accounting principles generally accepted in the United States of America applicable to governmental units. The following is a summary of the more significant policies:

a. Reporting Entity

The City was incorporated June 16, 1959, under Chapters 30 through 36 of Title 6, Tennessee Code Annotated, which chapters became the Home Rule Charter of the City, as the result of an election held November 7, 1962. The City operates under a Modified City Manager-Council form of government and provides services as authorized by its charter.

The basic criteria for determining whether another governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes (1) the appointment of a voting majority of the organization's governing body, (2) the ability of the primary government to impose its will on the organization, or (3) if there is a financial benefit/burden relationship. In addition, an organization that is fiscally dependent on the primary government should be included in its reporting entity.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. The operations of the Oak Ridge Schools are included as a part of the primary government. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize they are legally separate from the City. The accounting principles and policies utilized by the discretely presented component units are the same as those of the City unless stated otherwise in the following Notes to the Financial Statements.

Discretely Presented Component Units

Oak Ridge Convention and Visitors Bureau. The Convention and Visitors Bureau promotes tourism activities and operates a tourist information center within the City. The Bureau's seven Board members are appointed by City Council. Bureau operations are virtually entirely funded from City appropriations. The Bureau has a June 30 year-end and complete financial statements for the Oak Ridge Convention and Visitors Bureau may be obtained at the entity's administrative offices at the following address:

Oak Ridge Convention and Visitors Bureau
102 Robertsville Road, Suite C
Oak Ridge, Tennessee 37830

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

Oak Ridge Public Schools Education Foundation, Inc. (Education Foundation). The Foundation is a not-for profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Foundation's primary mission is to enhance, promote and support the City of Oak Ridge Schools. The Foundation receives donations and pledges from individuals, corporations and other donors. The Schools do not appoint or approve the Foundation's budget or Board of Directors. However, since the Foundation's main purpose is to provide financial support to the schools, this meets the definition of a component unit in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, paragraph five.

The Foundation has been audited by a separate certified public accounting firm for the year ending December 31, 2011. The Foundation's results have been presented with a different year-end in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, paragraph 59.

The Foundation publishes separate financial statements, which may be obtained at the entity's administrative offices at the following address:

Ms. Lila Metcalf
Oak Ridge Public Schools Education Foundation, Inc.
MS-22, P.O. Box 117
Oak Ridge, TN 37831
(865) 241-3667

Related Organizations

Oak Ridge City Council is responsible for all board appointments of the Oak Ridge Housing Authority, Oak Ridge Utility District, Oak Ridge Industrial Development Board and the Oak Ridge Health and Education Facilities Board. However, the City has no further accountability for any of these organizations. The City cannot impose its will on these boards since it does not have the ability to modify or approve their budgets or overrule or modify decisions of the boards. The boards are fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, they are not included in the City's financial statements.

b. Government-wide and Fund Financial Statements

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary fund, although the fiduciary fund is excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund

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

School Fund

The School Fund is a special revenue fund. This fund is used to account for the revenues and expenditures of the City's public school system.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources segregated for the acquisition, construction or renovation of major capital facilities other than those financed by proprietary operations. The primary funding source is proceeds from general obligation debt issuances and transfers from the General Fund.

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

Debt Service Fund

The Debt Service Fund is used to account for the payment of principal and interest on long-term general obligation debt. It does not include debt issued for services provided by a proprietary fund. Transfers from the General Fund primarily service this debt obligation.

The City reports the following major enterprise funds:

Electric Fund

The Electric Fund is used to account for the provision of electric service to the residents of the City. All activities necessary to provide such service are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, and billing and collection.

Waterworks Fund

The Waterworks Fund is used to account for the provision of water and sewer service to the residents of the City. All activities necessary to provide such service are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, and billing and collection.

The City also reports the following fund types:

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

Activities accounted for in internal service funds include: (1) medical benefits and retirement plan contributions for City employees, unemployment, worker's compensation and general liability claims and premiums, (2) providing for the purchase and cost of maintaining a central inventory of materials and supplies for use by City departments and (3) providing for the leasing of equipment and vehicles to City and Schools departments along with accounting for fuel and maintenance of these vehicles.

Private Purpose Trust Fund

The Scholarship Fund, a private purpose trust fund, is used to account for principal trust amounts received and related interest income. The interest portion of the trust is used for college scholarship awards. The principal amount is invested but must be preserved intact.

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

c. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 60 days after year-end. Sales, gasoline and motor fuel, beer and liquor wholesale, room occupancy and mixed drink taxes are considered "measurable" at the point of sale and are recognized as revenue at that time. All other intergovernmental revenues, licenses and permits, charges for services, fines and forfeitures, and other revenues are measurable when received and are recorded as revenue at that time. Property taxes are levied June 1 and the revenue from that levy is recognized in the following fiscal year beginning July 1, the year in which the tax revenues are intended to finance (see Note 2).

Grant revenues, which are unearned at year end, are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenditures generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operation.

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

The principal ongoing operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services provided. Operating revenues in the Waterworks Fund includes the portion of the tap fees intended to cover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its governmental activities, business-type activities and proprietary operations.

d. Budgets and Budgetary Accounting

The City follows the procedures outlined below in establishing the budgetary data reflected in the financial statements.

1. By mid-May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Also, a six-year capital budget is developed and presented to City Council prior to preparation of the upcoming annual operating budget.
2. A public hearing is conducted at the Municipal Building to obtain taxpayer comments.
3. Prior to July 1, the budgets for all governmental funds are legally enacted through passage of an ordinance by City Council.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Expenditures may not exceed appropriations at the fund level.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund. Budgetary control is also achieved for the Debt Service Fund through general obligation bond indenture provisions.
6. The budgets for all governmental funds are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except that in the General, Special Revenue, and Capital Projects Funds, encumbrances are treated as budgeted expenditures in the year the commitment to purchase is incurred. The adjustments necessary to convert the basis of budgeting to GAAP represent the net change in encumbrances outstanding at the beginning and ending of the fiscal year.
7. All appropriations which are not expended or encumbered lapse at year end.

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

8. During the year, supplementary appropriations were necessary for the School Fund. Refer to Note 20.

e. Cash and Cash Equivalents

Cash and cash equivalents include deposits in the State of Tennessee's Local Government Investment Pool (LGIP) as well as cash on hand and on deposit. The LGIP is a SEC 2a-7-like fund and the amount stated is based on the LGIP share price. Investments in the LGIP are reported at amortized cost.

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with maturity of three months or less when purchased to be a cash equivalent.

f. Investments

Investments are stated at the fair value based upon quoted market price.

g. Unbilled Accounts Receivable

In the Electric Fund and Waterworks Funds, both enterprise funds, an estimated amount has been recorded for electric, water and wastewater services rendered but not yet billed as of the close of the fiscal year. The receivable was computed by taking the cycle billings the City sent to customers in July and prorating the amount of days applicable to the current fiscal year. At June 30, 2012, unbilled revenue was estimated at \$1,702,601 in the Electric Fund and \$513,633 in the Waterworks Fund.

h. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

i. Pledges Receivables

Unconditional pledges, less an allowance for uncollectable amounts, of the component unit, Education Foundation, are recognized as contribution revenue in the period received. The Foundation uses the allowance method to determine a collectable amount based upon prior years' experience and management's estimates.

Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional receivables that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discounts is included in contribution revenue.

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

j. Inventories and Prepaid Items

Inventories are valued, maintained, and issued using the average cost method. The costs of inventories are recorded as expenditures when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

k. Compensated Absences

Employees of the City are granted general and emergency leave in varying amounts. In the event of termination, an employee is paid for accumulated general leave; however, accumulated emergency leave is not paid. Upon retirement, the accumulated emergency leave is credited to time of employment for calculating years of service under Tennessee Consolidated Retirement System benefits. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

l. Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost greater than \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2002, consist of the road network and storm water system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Depreciation has been provided over the estimated useful lives using the straight-line method for assets used by the Schools and equipment used by all governmental activities and the composite method is being used for other City assets. The estimated useful lives are as follows:

| | | |
|----------------|---------------|-------------------------------|
| Infrastructure | 40 - 50 years | 2% - 2.5% composite method |
| Buildings | 20 - 50 years | 2% - 3% composite method |
| Improvements | 15 - 40 years | 2.5% - 6.67% composite method |
| Equipment | 3 - 20 years | 6% - 8% composite method |

During fiscal 2012, the estimated life of water and wastewater treatment plant processing equipment and other improvements were revised to meet the remaining estimated life of the assets as outlined in Note 21. Property under capital leases is stated at the lower of the present value of minimum lease payments or the fair market value at the inception of the lease. Once placed in use, such property is amortized using the straight-line method over the shorter of the economic useful life of the asset or the remaining term of the lease.

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

For proprietary fund assets, interest is capitalized on construction costs incurred with tax-exempt debt using the interest rate on borrowed funds. The amount of interest cost incurred on tax-exempt debt is reduced by the amount of interest earnings for the year. Interest is capitalized on construction costs incurred with taxable debt using the average interest rate on the borrowed funds. The capitalization period is from the date of the borrowing until the construction period is complete. Capitalized interest in the City's business type funds totaled \$152,199 for fiscal year 2012.

m. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

n. Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year which are not due within one year are referred to as "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds are recorded as nonspendable fund balance in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources. All other interfund transfers are treated as transfers and are included in the results of operations of both governmental and proprietary funds.

o. Net Assets/Fund Balance

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

State statutes require the School Fund to maintain a minimum unrestricted fund balance of 3% of current year's expenditures. For the current fiscal year ending June 30, 2012, the Schools met the minimum fund balance as required by state law.

Governmental fund equity is classified as fund balance. Fund balances of the City's governmental funds are classified into the following categories:

Nonspendable Fund Balance – This is comprised of amounts that cannot be spent due to their form or funds that legally or contractually are required to be maintained intact. Fund balances reported as nonspendable in the accompanying financial statements represent amounts for inventory, prepaid expenditures, advances to other funds and noncurrent notes receivables.

Restricted Fund Balance – Fund balances reported as restricted are the result of externally imposed restrictions placed upon current resources by external parties, constitutional provisions or enabling legislations. Examples include state statutes, creditors, bond covenants, donors or grantors.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

Committed Fund Balance – This is comprised of amounts that are set aside for specific purposes by the City's highest level of decision making authority (City Council or Board of Education for School Fund) through its highest level of formal action (Ordinance adoption by City Council or formal approval by Board of Education for School Fund). Formal action must be taken prior to the end of the fiscal year. Commitments may be changed or removed by the same authority taking the same formal action that imposed the constraint originally.

Assigned Fund Balance – Fund balances reported as assigned are intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by City Council for the City. The Board of Education has a fund balance policy that allows assigned amounts to be re-assigned by the Board of Education or School management. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted or committed.

Unassigned Fund Balance – In accordance with GAAP, the general fund is the only governmental fund that reports an unassigned fund balance. The unassigned fund balance has not been restricted, committed, or assigned to a specific purpose within the general fund.

When committed, assigned or unassigned fund balance amounts are available for use, it is the School's policy to use the committed fund balance first; the assigned fund balance second; and then the unassigned fund balance as it is needed.

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

p. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue and Capital Projects Funds. Encumbrances outstanding at year-end are reported as nonspendable fund balances.

q. Deferred Revenues

Deferred revenue represents amounts that have been collected or billed in advance of revenue recognition. In the General Fund, revenue from the June 1 tax levy is recognized in the following fiscal year beginning on July 1. Refer to Note 2. Grant revenues are recognized when an expenditure is made and any grant proceeds received in excess of amounts expended are deferred until a qualifying expenditure is made.

r. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

s. Comparative Data

Comparative total data for the prior year, which was summarized from the 2011 Comprehensive Annual Financial Report, have been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations and is not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America. Certain reclassifications have been made to make 2011 data comparable to that of 2012.

2. PROPERTY TAX

The City's property tax is levied each June 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. The revenue from that levy is recognized in the following fiscal year beginning July 1, the year in which it is intended to finance, and is reflected as deferred revenue on the current year's General Fund balance sheet. The amount of property taxes recorded as deferred revenue in the General Fund at June 30, 2012 is \$19,997,576.

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

Assessed values are reviewed and approved by the State of Tennessee at the following rates of assumed market value:

| | |
|------------------------------------|--|
| Public Utility Property | 55% (Telecommunications & Railroads 40%) |
| Industrial and Commercial Property | |
| Real | 40% |
| Personal | 30% |
| Residential Property | 25% |

The City is on a 5 year reappraisal cycle. The last reappraisal was completed for the list as of January 1, 2010 (recognized in the fiscal year beginning July 1, 2010). The assessed value for the list as of January 1, 2011, was \$810,334,603. The appraised value was \$2,715,172,673 making the total assessed value approximately 30 percent of the total appraised value.

Taxes were levied at a rate of \$2.39 per \$100 of assessed value. Taxes are due in one payment on June 1 (levy date) and delinquent on August 1 (lien date) each tax year. Current tax collections of \$18,695,063 for the fiscal year ended were approximately 96.5 percent of the tax levy.

3. DEPARTMENT OF ENERGY

The Department of Energy (DOE) has three major facilities in Oak Ridge that represent the largest activity at any one location within the nationwide DOE complex. Oak Ridge National Laboratory (ORNL), one of the nation's largest multipurpose research centers, develops safe, economic, and environmentally acceptable technologies for efficient production and use of energy. ORNL enhances area wide economic growth and development through its technology transfer program to private sector industries, as well as, sophisticated needs and uses for federal and private environmental/hazardous waste management, metals and ceramics technologies, and space-age tool and die industries. The former Oak Ridge K-25 Gaseous Diffusion Plant site, now known as East Tennessee Technology Park (ETTP), is a focal point for developing hazardous waste management impoundment and storage. Oak Ridge Y-12 plant is a highly sophisticated manufacturing and developmental engineering organization engaged primarily in programs vital to national defense. BWXT, Inc., UT-Battelle and URS/CH2M Hill Oak Ridge (UCOR), the contractors that operate the three major facilities, are the major employers in Oak Ridge. DOE plants account for 33% of total water sales and 23% of wastewater revenues. Since DOE purchases electricity directly from TVA, DOE does not purchase power from the City.

The City receives financial assistance and in-lieu of tax payments from DOE. The City received \$1,662,113 from DOE in tax payments in fiscal 2012. The annual payments are subject to congressional appropriation.

During fiscal 2008, the City entered into an agreement with DOE and DOE's ETTP site contractor to assume fire and emergency medical response duties for the ETTP site. Under the agreement with DOE, through its contractor, the City received over \$10,000,000 in funding over the four-year period of the agreement. On October 1, 2007, DOE transferred 2.23 acres of land, the ETTP fire station and firefighting and ambulance vehicles and equipment to the City to operate this facility. The City added an additional 28 employees to man this station, which will also serve the west end of Oak Ridge. The

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

West End Fund, a special revenue fund, was established by the City to account for the operations of the ETPP fire station. During fiscal 2012, the contract was extended through September 30, 2015. The City received \$2,327,689 from DOE in fiscal 2012.

The City has entered into a 5-year agreement with DOE and DOE's ETPP site contractor, under which the City assumed responsibility for water and wastewater services to the ETPP site. The City acquired the ETPP water plant, as well as, water and wastewater lines, booster stations and other infrastructure from DOE in order for the City to provide these services to the ETPP site. Wastewater will be processed at the City's new Rarity Ridge wastewater plant. The ETPP water plant is near the end of its useful life. Under terms of the contract, DOE through its contractor will provide funding to fully operate the water plant and provide \$500,000 each year of the contract for the City to build new infrastructure from the City's main water plant to serve the ETPP site. On May 29, 2008, the City assumed water and wastewater operations to the ETPP site. These operations are accounted for in the City's Waterworks Fund, an enterprise fund. Under terms of the contract, the City will receive a base amount from each year, reduced by revenues the City receives from other City customers that are serviced by the ETPP water plant and the Rarity Ridge wastewater plant during that time frame. The City received \$1,625,902 under this contract in fiscal 2012.

4. RETIREMENT PLAN

Plan Description

Employees of the City are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Employees working in the school system are members of a separate plan administered by the TCRS. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with 5 years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Active members joining the system after July 1, 1979 became vested after 5 years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in State statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increase is less than .50%. The maximum annual COLA is capped at 3.0%. Political subdivisions such as the City participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Tennessee Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

The City's plan is noncontributory. The City assumed the employees' contributions and contributes up to 5.0% of employee annual covered payroll. A small number of employees whose contribution rate was greater than 5.0% prior to the change to the adoption to noncontributory still contribute the excess over 5.0%. The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012 was 14.99% of annual covered payroll. The contribution requirement of plan members is set by State statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2012, the City's annual pension cost of \$2,699,388 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected 3% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 20 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-----------------------|------------------------------|----------------------------------|---------------------------|
| June 30, 2012 | \$ 2,699,388 | 100.00% | \$ - |
| June 30, 2011 | 2,888,931 | 100.00% | - |
| June 30, 2010 | 2,306,713 | 100.00% | - |

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 88.09% funded. The actuarial accrued liability for benefits was \$85.96 million, and the actuarial value of assets was \$75.72 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$10.24 million. The covered payroll (annual payroll of active employees covered by the plan) was \$18.99 million, and the ratio of the UAAL to the covered payroll was 53.94%.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

Oak Ridge School System Employees - Retirement Plan

Non-Teaching Personnel

Plan Description

Non-teaching employees working in the Oak Ridge School system are covered in a separate retirement plan administered by the Tennessee Consolidated Retirement System (TCRS), an agent multiple-employer Political Subdivision Pension Plan (PSPP) that acts as a common investment and administrative agent for political subdivisions in the State. The plan description is the same as the one outlined above for City employees not working in the school system with the exception that members joining the system prior to July 1, 1979 were vested after four years of service. Benefit improvements are not applicable to employees in the School system unless approved by the Board of Education.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Tennessee Consolidated Retirement System, 10th Floor, Andrew Jackson State Office Building, Nashville, TN 37243-0230 or at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

The Oak Ridge Schools plan is a contributory plan whereby the employee contributes 5% of earnable compensation and the employer is responsible for the remaining contribution. The School Fund is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012, was 10.36% of annual covered payroll. The contribution requirements of plan members are set by State statute. Contribution requirements for the Schools are established and may be amended by the TCRS Board of Trustees.

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

Annual Pension Cost

For the year ending June 30, 2012, Oak Ridge Schools' annual pension cost of \$662,054 to TCRS was equal to Oak Ridge Schools' required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected 3.0% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually.

The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Oak Ridge Schools' unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was 6 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-----------------------|------------------------------|----------------------------------|---------------------------|
| June 30, 2012 | \$ 662,054 | 100.00% | \$ - |
| June 30, 2011 | 655,080 | 100.00% | - |
| June 30, 2010 | 677,824 | 100.00% | - |

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 98.74% funded. The actuarial accrued liability for benefits was \$23.25 million, and the actuarial value of assets was \$22.96 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.29 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.24 million, and the ratio of the UAAL to the covered payroll was 4.70%.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

Teaching Personnel

Plan Description

The Oak Ridge Schools contribute to the State Employees, Teachers and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The plan description is the same as the one outlined above for non-teaching school employees with the exception that a reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Benefit provisions are established by State statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained at the following address: Tennessee Treasury Department, Tennessee Consolidated Retirement System, 10th Floor, Andrew Jackson State Office Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs>.

Funding Policy

Most teachers are required by State statute to contribute 5.0% of salary to the plan. The Oak Ridge Schools are required to contribute at an actuarially determined rate. The rate for the fiscal year ending June 30, 2012, was 9.05% of annual covered payroll. The contribution requirements of the Oak Ridge Schools are established and may be amended by the TCRS Board of Trustees. The Oak Ridge Schools' contributions to TCRS for the years ending June 30, 2012, 2011, and 2010 were \$2,347,755, \$2,262,292, and \$1,595,194, respectively, equal to the required contributions for each year.

5. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description – City Employee Other Than Schools

The City participates in the state administered Local Government Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by TCA 8-27-207. As of January 1, 2010, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in that state's retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state website at <http://tennessee.gov/finance/act/cafr.html>.

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claim liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The State does not provide a subsidy to local governments participants.

Eligibility

The City will pay 50% of the medical insurance premium for eligible retired employees and their spouses for 7 years or until the employee/spouse becomes Medicare eligible, whichever is earlier. To be eligible, employees must have 30 years of service and must have been on the insurance plan for one full year prior to retirement or 20 years of service and age 55 and on the insurance plan one full year prior to retirement or 10 years of service and age 55 and on the insurance plan three full years prior to retirement. The City will pay 100% of a surviving spouse's medical premium for 6 months.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefits (OPEB) cost (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of governmental accounting standards. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City's annual OPEB cost and net OPEB obligation for the current year was as follows:

| | |
|--|-------------------|
| Annual Required Contribution (ARC) | \$ 239,488 |
| Interest on net OPEB Obligation | 16,295 |
| Adjustment to the ARC | <u>(18,047)</u> |
| Annual OPEB Cost | 237,736 |
| Contributions Made | <u>(133,760)</u> |
| Increase in OPEB Obligation | 103,976 |
| Net OPEB Obligation, Beginning of Year | <u>407,367</u> |
| Net OPEB Obligation, End of Year | <u>\$ 511,343</u> |

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is as follows:

| Three-Year Trend Information | | | |
|------------------------------|---------------------|---|------------------------|
| Fiscal Year Ending | Annual OBEB Cost | Percentage of OBEB Cost Contributed | Net OPEB Obligation |
| June 30, 2012 | \$237,736 | 56.3% | \$511,343 |
| June 30, 2011 | 231,528 | 47.9% | 407,367 |
| June 30, 2010 | 230,782 | 39.2% | 286,807 |

Funded Status and Progress

The funded status on the plan as of June 30, 2012, was as follows:

| | |
|--|--------------|
| Actuarial Valuation Date | July 1, 2011 |
| Actuarial Accrued Liability (AAL) | \$ 2,480,813 |
| Actuarial Value of Plan Assets | - |
| Unfunded Actuarial Accrued Liability (UAAL) | \$ 2,480,813 |
| Actuarial Value of Assets as a Percentage of AAL | 0.00% |
| Covered Payroll (active plan members) | 14,094,862 |
| UAAL as a Percentage of Covered Payroll | 17.6% |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between employer and plan members to that point. Actuarial calculations reflect a long-term perspective. In the July 1, 2010 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions include a 4.0% funding interest rate and an annual healthcare trend rate of 10% for 2012. The healthcare trend rate will decrease by 1% annually to an ultimate medical cost trend rate of 5% by 2015. The annual payroll growth rate is assumed to be 2.5%. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis with the remaining amortization period for the unfunded actuarial accrued liability as of June 30, 2012 of 28 years.

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
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Plan Description – Schools

The Oak Ridge Schools participate in the state-administered Teacher Group Insurance Plan (the Plan) for healthcare benefits. For accounting purposes, the Plan is an agent multiple-employer defined benefit other postemployment benefits (OPEB) plan. Benefits are established and amended by an insurance committee created by TCA 8-27-302 for teachers.

Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO) or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in TCRS may participate in state-administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the State's website at <http://tennessee.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The State does provide a partial subsidy to Board's or Education pre-age 65 teachers and a full subsidy based on years of service for post-age 65 teachers in the Medicare Supplement Plan.

Annual OPEB Cost and Net OPEB Obligation

The Schools' annual OPEB cost and net OPEB obligation for the current year was as follows:

| | <u>Teacher Group Insurance Plan</u> | |
|--|-------------------------------------|----------------------|
| | <u>June 30, 2012</u> | <u>June 30, 2011</u> |
| Annual Required Contribution (ARC) | \$ 914,000 | \$ 887,000 |
| Interest on net OPEB Obligation | 149,815 | 144,189 |
| Adjustment to the ARC | <u>(159,026)</u> | <u>(136,575)</u> |
| Annual OPEB Cost | 904,789 | 894,614 |
| Contributions Made | <u>(315,256)</u> | <u>(353,452)</u> |
| Increase in OPEB Obligation | 589,533 | 541,162 |
| Net OPEB Obligation, Beginning of Year | <u>3,745,352</u> | <u>3,204,190</u> |
| Net OPEB Obligation, End of Year | <u>\$ 4,334,885</u> | <u>\$ 3,745,352</u> |

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

| Three-Year Trend Information | | | |
|------------------------------|---------------------|---|------------------------|
| Fiscal Year Ending | Annual OBEB Cost | Percentage of OBEB Cost Contributed | Net OPEB Obligation |
| June 30, 2012 | \$ 904,789 | 34.8% | \$ 4,334,885 |
| June 30, 2011 | 894,613 | 39.5% | 3,745,352 |
| June 30, 2010 | 880,373 | 40.7% | 3,204,190 |

Funded Status and Progress

| | |
|---|--------------|
| Actuarial Valuation Date | July 1, 2011 |
| Actuarial Accrued Liability (AAL) | \$ 7,109,000 |
| Actuarial Value of Plan Assets | - |
| Total Unfunded AAL | \$ 7,109,000 |
| Funded Ratio (Actuarial Value of Assets as a Percentage of the AAL) | 0.0% |
| Annual Covered Payroll | \$25,942,044 |
| Ratio of the Unfunded Actuarial Liability to Annual Covered Payroll | 27.4% |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of cost between employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with the perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2011, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25% for 2012. The trend will decrease to 8.75% in 2013 and then be reduced by decrements to an ultimate rate of 5% by 2021. The annual healthcare premium trend rate for the Medicare Supplement plan was 6.50% for fiscal year 2012. The trend will decrease to 6.25% in fiscal year 2013 and then will be reduced by

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
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decrements to an ultimate rate of 5% by fiscal year 2018. Both rates include a 2.5% inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with June 30, 2008.

6. ON-BEHALF PAYMENTS

As required by GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the following on-behalf payments have been recorded.

Medicare Supplement Plan

Since Teachers are considered state employees per state statutes, the State of Tennessee makes a contribution (on-behalf payments) for retired teachers to this Plan through the TCRS. The on-behalf payment for 2012 was \$55,797 and has been recorded as a revenue and expenditure in the school fund.

Teacher Group Insurance Plan

The State of Tennessee makes a contribution (on-behalf payment) for retired teachers who participate in the State-administered Teacher Group Insurance Plan through TCRS as described in Note 5. The on-behalf payment for 2012 was \$109,812 and has been recorded as a revenue and expenditure in the school fund.

7. TERMINATION BENEFITS

Retired employees from the City, excluding employees working in the school system, may continue their individual or family hospitalization insurance coverage through the City. The City will pay 50% of the premium costs, up to 7 years after retirement or until the retiree reaches age 65. To receive this benefit at retirement, the employee must be age 55 with 10 years of service and at least three full years of insurance coverage immediately prior to retirement or age 55 with 20 years of service and one full year of insurance coverage. The election to continue insurance coverage must be made at the time of retirement from the City. During fiscal 2012, the City contributed \$77,067 toward retiree's insurance premium costs with 22 retirees receiving the benefit at fiscal year-end. At fiscal year-end, there were 325 active members in the plan with 55 employees vested for this benefit. The City funds its contribution of the retiree's insurance premiums on a pay-as-you-go basis.

The Schools will provide voluntary termination benefits for professional employees who agree to retire before age 65. Employees who retire at age 60, or after 30 years of creditable service in the Tennessee Consolidated Retirement System (TCRS) with at least 10 years of service with the Schools, 85% of the retirees' individual health insurance premium will be paid by the Schools for 5 years or until the retiree reaches age 65. The Schools fund their contributions on a pay-as-you-go basis. During fiscal 2012, the Schools reimbursed approximately \$53,740 to 28 retirees, which has been recorded as an expenditure in the School Fund. At fiscal year-end, there were 604 active members in the plan.

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

At June 30, 2012, the estimated liability and expense of school employee termination benefits reported in the government-wide financial statements is \$384,075. Termination benefits are measured at the discounted present value of expected future benefit payments. A discount rate of 0.72% and a projected healthcare cost trend rate of 10.0% were used to estimate the effect of making these payments over a five-year period.

8. ACCOUNTS RECEIVABLE

Customers are billed for electric and waterworks services monthly on a cyclical basis. Unbilled revenue for utility services rendered but not yet billed as of the close of the fiscal year in the amount of \$1,702,601 was recorded in the Electric Fund and \$513,633 in Waterworks Fund at June 30, 2012.

Receivables at June 30, 2012 consist of the following:

| Fund | Taxes | Customer Accounts | Other | Gross Receivables | Allowance for Uncollectibles | Net Receivables |
|--------------|---------------------|----------------------|--------------------|----------------------|---------------------------------|----------------------|
| General | \$18,886,498 | \$ 650,552 | \$ 841,614 | \$20,378,664 | \$(1,708,865) | \$18,669,799 |
| School | - | 21,805 | - | 21,805 | - | 21,805 |
| Debt Service | - | - | 469,124 | 469,124 | - | 469,124 |
| Electric | - | 8,059,898 | - | 8,059,898 | (1,514,782) | 6,545,116 |
| Waterworks | - | 2,259,121 | - | 2,259,121 | - | 2,259,121 |
| Nonmajor | 242,960 | - | 302,392 | 545,352 | (53,053) | 492,299 |
| Total | \$19,129,458 | \$10,991,376 | \$1,613,130 | \$ 31,733,964 | \$(3,276,700) | \$ 28,457,264 |

9. DEPOSITS AND INVESTMENTS

The unrestricted cash of the City's various funds, excluding the School Fund, are pooled for investment purposes as described in Note 10.

Deposits

At year-end, the carrying amount of the City's deposits was \$11,977,007. Deposit policies authorize the City to maintain their operating and excess funds in bank accounts and certificates of deposit with banks or credit unions that have a branch located within the Oak Ridge city limits. Banks or credit unions shall be fully insured by the Federal Depository Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA). In addition, accounts with balances in excess of FDIC or NCUA insurance levels must participate in the bank collateral pool administered by the Treasurer of the State of Tennessee.

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

At June 30, 2012, all deposits were fully insured or held in financial institutions that participate in the Tennessee Bank Collateral Pool administered by the Treasurer's Office of the State of Tennessee. Banks may use one of three different security pledges (90%, 100% or 105%) depending on the specific bank holding the deposit. Financial institutions participating in the bank collateral pool determine the aggregate balance of their public funds and report that to the Treasurer's Office. Participating financial institutions pledge the collateral securities required to protect their public fund accounts to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency.

Investments

The City's investments at fiscal year end were in the State of Tennessee Local Government Investment Pool (LGIP) and Certificates of Deposit. The responsibility for conducting the LGIP's investment program resides with the State Treasurer and investments are made in instruments authorized by Tennessee Code Annotated, Section 9-4-602. The LGIP is a SEC 2a-7-like fund and the carrying value of the City's investment held by the LGIP at fiscal year-end of \$31,882,826 is based on the LGIP share price. The shares in the Local Government Investment Pool are constant dollar. Therefore, the fair value of the position in the Pool is the same as the value of the Pool shares.

The Oak Ridge Schools maintain investments in certificates of deposits. Banks or credit unions holding the certificates of deposit shall be fully insured by the Federal Depository Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA). In addition, accounts with balances in excess of FDIC or NCUA insurance levels must participate in the bank collateral pool administered by the Treasurer of the State of Tennessee.

As of June 30, 2012 the City had the following investments and maturities:

| | <u>Fair Value</u> | <u>Investment Maturities</u> | |
|--|---------------------|------------------------------|-----------------------------|
| | | <u>Less than 1 year</u> | <u>More than 1 year</u> |
| State of TN Local Government Investment Pool | \$31,861,850 | \$31,861,850 | \$ - |
| Certificates of Deposit | <u>240,555</u> | <u>-</u> | <u>240,555</u> |
| Total Investments and Maturities | <u>\$32,102,405</u> | <u>\$31,861,850</u> | <u>\$ 240,555</u> |

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

Investment income (loss) in the Scholarship Fund for 2012 consisted of the following:

| | |
|------------------------|-----------------|
| Interest and Dividends | \$ 7,703 |
| Total | <u>\$ 7,703</u> |

Investment Policies

The City and Oak Ridge Schools maintain similar investment policies with any variances between policies noted below. The City's investment policies are in accordance with state law which outlines authorized municipal government investments in Tennessee Code Annotated (TCA) Section 6-56-106. The investment policies exclude investment of bond proceeds held by trustees.

Interest Rate Risk: Investments are based upon prevailing market conditions at the time of the transaction with the intent to hold the instrument until maturity. If the yield of the portfolio can be improved upon by the sale of an investment prior to its maturity, with the reinvestment of the proceeds, then this provision is allowed. The City restricts investment length as outlined in TCA 6-56-106, which generally restricts maturity of not greater than four years from date of investment. The Schools further limits the weighted-average maturity of its investment portfolio in the governmental and proprietary funds to one year or less. No Security at the time of purchase shall have a maturity exceeding one year. The Schools manage its interest rate risk by limiting the weighted-average maturity of its investment portfolio in the Scholarship Fund to ten years or less. No security, at the time of purchase in the Scholarship Fund, a Fiduciary Fund, shall have maturity exceeding ten years.

Credit Risk: State statutes authorize the City and Schools to invest in obligations of the federal government, federal agency securities, state government, state local government investment pool (LGIP), municipal bonds issued in Tennessee, Certificates of Deposit and other time deposits and repurchase agreements. Nonconvertible debt securities issued by the Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank and the Student Loan Marketing Association and municipal bonds must be rated in the highest category by at least two nationally recognized rating services.

Custodial Credit Risk: All safekeeping receipts for investment instruments are to be held in accounts in the City's name. The School's investment policy requires that investment securities be registered in the name of the Oak Ridge Schools.

Concentration of Credit Risk: The City, excluding the Schools, limits its investment concentration to 40% of the total portfolio in any one investment type, excluding US Treasury securities and the State Local Government Investment Pool (LGIP), which may be at 100%. The City also restricts investment purchases from any one financial institution to 60% or less of the City's total portfolio.

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

Component Unit – Education Foundation

At June 30, 2012, the Education Foundation had the following deposits and investments.

| Description | Fair Value |
|---|--------------|
| Deposits: | |
| Bank Deposits and Certificates of Deposit | \$ 117,191 |
| Investments: | |
| U.S. Treasury Notes Bonds | 3,674,863 |
| Mutual Funds | 489,130 |
| Common Stock | 1,731,600 |
| | 5,895,593 |
| Total | \$ 6,012,784 |

Investments at Fair Value

Investment income (loss) for 2012 consisted of the following:

| | |
|----------------------------------|------------|
| Interest and Dividends | \$ 89,877 |
| Realized Gains on Investments | 346,748 |
| Unrealized Losses on Investments | (170,984) |
| Total | \$ 265,641 |

At June 30, 2012, the majority of the Foundation's investments were invested in direct obligations of the U.S. Government, or money market mutual funds which are also invested in direct obligations of the U.S. Government.

10. POOLED CASH AND INVESTMENTS

The City maintains a pooled cash and investment account that is available for use by all funds, except the School Fund and those restricted by State statutes or other legal requirements. Each fund's positive equity in the pooled cash and investment account is presented as "Cash and Cash Equivalents" or "Investments" on the balance sheet as applicable. Negative equity balances have been reclassified and are reflected as due to/from other funds. Interest income and expense are allocated to the various funds based upon their average monthly equity balances.

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

11. RESTRICTED ASSETS

Restricted bond proceeds are the remaining funds from the proceeds of \$9,810,000 in General Obligation Bonds issued in September 2011 to fund waterworks capital improvement projects. These bond proceeds are restricted to the capital projects identified in the issuing bond resolution. The Electric Fund's restricted assets is comprised of funds set aside to satisfy legal covenants regarding debt service on Electric Fund long-term debt issuances. The Capital Project and Waterworks Fund's restricted assets include contractor retainage deposits. The "current debt service" account is used to segregate resources accumulated for debt service payments over the next twelve months. The governmental and proprietary funds restricted assets at June 30, 2012 are as indicated below:

| | Governmental-type Activities | Business-type Activities | | Total Per Government- wide Financial Statements |
|------------------------------|---------------------------------|--------------------------|--------------------|--|
| | Capital Projects Fund | Electric Fund | Waterworks Fund | |
| Capital Projects | | | | |
| Bond Proceeds | \$ - | \$ - | \$ 898,312 | \$ 898,312 |
| Retainage | 34,104 | - | 99,152 | 133,256 |
| Current Debt Service Account | - | 98,360 | - | 98,360 |
| Total | \$ 34,104 | \$ 98,360 | \$ 997,464 | \$ 1,129,928 |

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

12. CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended June 30, 2012 was as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases and Reclassifications</u> | <u>Ending Balances</u> |
|--|-------------------------------|-----------------------|--|----------------------------|
| Governmental Activities: | | | | |
| Capital Assets not being depreciated: | | | | |
| Land | \$ 3,095,244 | \$ 77,000 | \$ - | \$ 3,172,244 |
| Construction in Progress | - | 972,616 | - | 972,616 |
| Total capital assets not being depreciated | <u>3,095,244</u> | <u>1,049,616</u> | <u>-</u> | <u>4,144,860</u> |
| Capital assets being depreciated: | | | | |
| Infrastructure | 50,718,147 | 284,138 | - | 51,002,285 |
| Buildings | 131,142,483 | 333,644 | - | 131,476,127 |
| Improvements other than buildings | 13,331,093 | 789,632 | - | 14,120,725 |
| Machinery and Equipment | 30,154,532 | 687,397 | (628,505) | 30,213,424 |
| Total capital assets being depreciated | <u>225,346,255</u> | <u>2,094,811</u> | <u>(628,505)</u> | <u>226,812,561</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (19,327,177) | (1,020,046) | - | (20,347,223) |
| Buildings | (42,865,915) | (3,043,977) | - | (45,909,892) |
| Improvements other than buildings | (6,524,181) | (535,148) | - | (7,059,329) |
| Machinery and Equipment | (16,513,533) | (1,864,810) | 617,929 | (17,760,414) |
| Total accumulated depreciation | <u>(85,230,806)</u> | <u>(6,463,981)</u> | <u>617,929</u> | <u>(91,076,858)</u> |
| Total capital assets being depreciated, net | <u>140,115,449</u> | <u>(4,369,170)</u> | <u>(10,576)</u> | <u>135,735,703</u> |
| Governmental activities capital assets, net | <u>\$ 143,210,693</u> | <u>\$ (3,319,554)</u> | <u>\$ (10,576)</u> | <u>\$139,880,563</u> |

Depreciation was charged to functions of the primary government as follows:

| | |
|----------------------------|---------------------|
| General government | \$ 178,133 |
| Public safety | 519,470 |
| Public works | 1,497,207 |
| Community service | 837,097 |
| Education | 3,432,074 |
| Total depreciation expense | <u>\$ 6,463,981</u> |

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

Capital asset activity for the business-type activities for the year ended June 30, 2012 was as follows:

| | Beginning Balances | Increases | Decreases and Reclassifications | Ending Balances |
|---|-----------------------|---------------------|------------------------------------|----------------------|
| Business-type Activities: | | | | |
| Capital Assets not being depreciated | | | | |
| Land | \$ 755,193 | \$ - | \$ - | \$ 755,193 |
| Construction in Progress | <u>3,018,225</u> | <u>9,767,369</u> | <u>(9,150,285)</u> | <u>3,635,309</u> |
| Total capital assets not being depreciated | <u>3,773,418</u> | <u>9,767,369</u> | <u>(9,150,285)</u> | <u>4,390,502</u> |
| Capital assets being depreciated | | | | |
| Electric plant in service | | | | |
| Transmission | 9,311,743 | - | - | 9,311,743 |
| Distribution | 65,982,325 | 1,696,728 | (107,258) | 67,571,795 |
| Water plant in service | 62,221,632 | 2,750,684 | (59,343) | 64,912,973 |
| Wastewater plant in service | 75,596,980 | 4,971,854 | - | 80,568,834 |
| Equipment | <u>7,847,738</u> | <u>934,132</u> | <u>(95,571)</u> | <u>8,686,299</u> |
| Total capital assets being depreciated | <u>220,960,418</u> | <u>10,353,398</u> | <u>(262,172)</u> | <u>231,051,644</u> |
| Less accumulated depreciation for: | | | | |
| Electric plant in service | | | | |
| Transmission | (3,595,884) | (279,352) | - | (3,875,236) |
| Distribution | (25,903,268) | (1,927,264) | 155,751 | (27,674,781) |
| Water plant in service | (22,794,631) | (2,538,881) | 61,968 | (25,271,544) |
| Wastewater plant in service | (27,590,381) | (1,969,402) | - | (29,559,783) |
| Equipment | <u>(4,716,952)</u> | <u>(516,739)</u> | <u>(11,624)</u> | <u>(5,245,315)</u> |
| Total accumulated depreciation | <u>(84,601,116)</u> | <u>(7,231,638)</u> | <u>206,095</u> | <u>(91,626,659)</u> |
| Total capital assets being depreciated, net | <u>136,359,302</u> | <u>3,121,760</u> | <u>(56,077)</u> | <u>139,424,985</u> |
| Business-type activities capital assets, net | <u>\$140,132,720</u> | <u>\$12,889,129</u> | <u>\$ (9,206,362)</u> | <u>\$143,815,487</u> |

Depreciation was charged to activities of the primary government as follows:

| | |
|----------------------------|---------------------|
| Electric | \$ 2,389,559 |
| Waterworks | 4,720,302 |
| Emergency Communications | <u>121,777</u> |
| Total depreciation expense | <u>\$ 7,231,638</u> |

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

13. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the City for the year ended June 30, 2012:

| | Beginning Balances | Additions | Retirements/ Reductions | Ending Balances | Due Within One Year |
|--|-----------------------|---------------------|----------------------------|----------------------|------------------------|
| Governmental Activities: | | | | | |
| General Fund: | | | | | |
| General Obligation Bonds | \$ 42,355,000 | \$ - | \$ (2,890,000) | \$ 39,465,000 | \$ 3,245,000 |
| Qualified Zone Academy Bonds (QZAB) | 5,094,184 | - | (509,419) | 4,584,765 | 509,418 |
| Notes Payable | 54,760,053 | - | (272,000) | 54,488,053 | 326,000 |
| Unamortized Debt Discount | (62,141) | - | 6,951 | (55,190) | (6,951) |
| Unamortized Debt Premium | 1,916,192 | - | (195,238) | 1,720,954 | 195,238 |
| Capital Lease Obligations | 119,869 | 1,152,844 | (420,888) | 851,825 | 275,651 |
| Compensated Absences | 2,759,654 | 2,270,846 | (2,437,571) | 2,592,929 | 2,185,988 |
| School Termination Benefits | 375,331 | 62,484 | (53,740) | 384,075 | 61,598 |
| OPEB Obligation | 4,022,366 | 1,066,224 | (406,085) | 4,682,505 | - |
| City Equipment Replacement | | | | | |
| Rental Fund: | | | | | |
| General Obligation Bonds | 975,000 | - | (205,000) | 770,000 | 70,000 |
| Unamortized Bond Discount | (9,859) | - | 2,661 | (7,198) | (2,661) |
| Unamortized Reoffering Premium | 6,430 | - | (1,793) | 4,637 | 1,792 |
| Compensated Absences | 62,478 | 66,776 | (58,508) | 70,746 | 57,304 |
| OPEB Obligation | 8,668 | 5,044 | (2,838) | 10,874 | - |
| Total Long-term Liabilities - Governmental Activities: | <u>\$112,383,225</u> | <u>\$ 4,624,218</u> | <u>\$ (7,443,468)</u> | <u>\$109,563,975</u> | <u>\$ 6,918,377</u> |
| Business-type Activities: | | | | | |
| Electric Fund: | | | | | |
| Bonds | \$ 20,060,000 | \$ - | \$ (1,000,000) | \$ 19,060,000 | \$ 1,010,000 |
| Notes Payable | 3,910,934 | - | (122,765) | 3,788,169 | 127,769 |
| Unamortized Bond Discount | (165,652) | - | 15,951 | (149,701) | (15,951) |
| Unamortized Reoffering Premium | 278,353 | - | (36,285) | 242,068 | 36,285 |
| Compensated Absences | 318,929 | 267,159 | (265,297) | 320,791 | 259,841 |
| OPEB Obligation | 37,927 | 22,071 | (12,418) | 47,580 | - |
| Waterworks Fund: | | | | | |
| General Obligation Bonds | 7,240,000 | 9,810,000 | (420,000) | 16,630,000 | 535,000 |
| Notes Payable | 16,507,514 | - | (2,052,902) | 14,454,612 | 2,069,898 |
| State Revolving Fund Program Loan | 16,360,606 | 108,381 | (779,040) | 15,689,947 | 811,392 |
| Unamortized Bond Discount | (69,586) | (77,370) | 10,159 | (136,797) | (11,320) |
| Unamortized Reoffering Premium | 54,414 | 88,018 | (7,190) | 135,242 | 8,510 |
| Compensated Absences | 708,103 | 644,043 | (612,060) | 740,086 | 599,470 |
| OPEB Obligation | 83,757 | 49,187 | (27,675) | 105,269 | - |
| Emergency Communications Fund: | | | | | |
| Capital Lease Obligation | 766,420 | - | (112,733) | 653,687 | 118,348 |
| Total Long-term Liabilities - Business-type Activities: | <u>\$ 66,091,719</u> | <u>\$10,911,489</u> | <u>\$ (5,422,255)</u> | <u>\$ 71,580,953</u> | <u>\$ 5,549,242</u> |

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

Compensated absences and OPEB obligation are generally liquidated by the General Fund, School Fund, City Equipment Replacement Rental Fund, Electric Fund and Waterworks Fund. The School termination benefits are liquidated by the School Fund. The State of Tennessee makes on-behalf payments for the other postemployment benefits (OPEB) obligation for the school teachers as described in Note 6.

A. Long-Term Debt – Governmental Activities

General Obligation Bonds – General Fund

The debt amortized below includes \$9,300,000 in taxable general obligation Build America Bonds (BABS) issued in November 2009 for various city capital projects, including completion of the Oak Ridge High School renovation. The federal government provides a 35% subsidy on the interest payment due on these bonds. The bonds mature in 2041 with interest rates ranging from 5.63% to 6.5%, before the 35% federal subsidy is applied. The City has no assurance that the United States Government will continue to make the direct subsidy payments or that the United States Congress will not attempt to reduce the amount of the direct subsidy payments. Interest subsidies received totaled \$202,059 during the year ended June 30, 2012.

Debt service requirements to maturity for general obligation bonds for the fiscal year ended June 30, 2012, are as follows:

| Fiscal Year Ending June 30, | Principal | Coupon Interest | BABS Treasury Rebate | Net Interest | Total Requirements |
|--------------------------------|----------------------|----------------------|-------------------------|----------------------|-----------------------|
| 2013 | \$ 3,245,000 | \$ 1,737,806 | \$ (202,059) | \$ 1,535,748 | \$ 4,780,748 |
| 2014 | 3,120,000 | 1,664,406 | (202,059) | 1,462,347 | 4,582,347 |
| 2015 | 3,055,000 | 1,584,456 | (202,059) | 1,382,397 | 4,437,397 |
| 2016 | 3,165,000 | 1,482,756 | (202,059) | 1,280,697 | 4,445,697 |
| 2017 | 3,260,000 | 1,347,506 | (202,059) | 1,145,447 | 4,405,447 |
| 2018-2022 | 14,320,000 | 4,577,788 | (1,010,297) | 3,567,491 | 17,887,491 |
| 2023-2027 | 1,800,000 | 2,787,313 | (975,559) | 1,811,754 | 3,611,754 |
| 2028-2032 | 1,000,000 | 2,182,750 | (763,963) | 1,418,787 | 2,418,787 |
| 2033-2037 | - | 2,068,750 | (724,063) | 1,344,687 | 1,344,687 |
| 2038-2041 | 6,500,000 | 1,185,000 | (414,750) | 770,250 | 7,270,250 |
| Total | <u>\$ 39,465,000</u> | <u>\$ 20,618,531</u> | <u>\$ (4,898,927)</u> | <u>\$ 15,719,605</u> | <u>\$ 55,184,605</u> |

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

The following is a summary of the City's general obligation bonded debt transactions funded by the General Fund for the year ended June 30, 2012:

| | Governmental Activities | | | Balance 6/30/12 |
|--|-------------------------|--------------------------|---------------------|---------------------|
| | Balance 7/1/11 | Additions / Transfers | Retirements | |
| Series 2003, GO Refunding Bonds Issue: \$7,485,709, Maturing 2016 Interest Rate: 2.00% - 4.00% | \$ 3,560,000 | \$ - | \$ - | \$ 3,560,000 |
| Series 2009, GO Refunding Bonds Issue: \$17,215,000, Maturing 2022 Interest Rate: 3.00% - 5.00% | 17,215,000 | - | - | 17,215,000 |
| Series 2009B, Build America Bonds (BABS) Issue: \$9,300,000, Maturing 2041 Interest Rate: 5.63% - 6.50% Interest Treasury Subsidy: 35% of Interest Payment | 9,300,000 | - | - | 9,300,000 |
| Series 2010, GO Refunding Bonds Issue: \$5,240,000, Maturing 2021 Interest Rate: 3.00% - 4.00% | 4,860,000 | - | 405,000 | 4,455,000 |
| Series 2011, GO Refunding Bonds Issue: \$7,420,000, Maturing 2015 Interest Rate: 2.00% | 7,420,000 | - | 2,485,000 | 4,935,000 |
| Total General Obligation Bonded Debt | \$42,355,000 | \$ - | \$ 2,890,000 | \$39,465,000 |

Qualified Zone Academy Bonds (QZAB) – General Fund

The City issued \$7,049,360 in Qualified Zone Academy Bonds (QZAB) in fiscal 2005 and \$1,032,500 in fiscal 2006. QZAB's are a federal program, administered through state department of educations, which provide interest free loans to finance eligible school renovations. The Tennessee Department of Education and the State Comptroller's Office are administrators of the loan. The QZAB program requires a 10% private contribution toward annual debt service payments. The Oak Ridge Education Foundation funded the City's required private contribution. A \$509,418 annual loan payment is scheduled each year through December 2020. The actual payment required by the City will be adjusted by the State each year, reflecting an adjustment for interest earned on the bond escrow account.

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

Projected amortization schedule for QZAB are as follows:

| Fiscal Year Ending June 30, | Governmental Activities | | |
|--------------------------------|-------------------------|------------------|-----------------------|
| | Principal | Interest | Total Requirements |
| 2013 | \$ 509,418 | \$ 2,445 | \$ 511,863 |
| 2014 | 509,418 | 2,445 | 511,863 |
| 2015 | 509,418 | 2,445 | 511,863 |
| 2016 | 509,419 | 2,445 | 511,864 |
| 2017 | 509,418 | 2,445 | 511,863 |
| 2018-2021 | 2,037,674 | 9,780 | 2,047,454 |
| Total | <u>\$ 4,584,765</u> | <u>\$ 22,005</u> | <u>\$ 4,606,770</u> |

Notes Payable – General Fund

In fiscal 1995, the City executed a loan agreement with the Tennessee Municipal Bond Fund (TMBF) for \$1,247,994 to fund a grant to the Roane State Foundation for the purpose of purchasing land for a permanent Roane State Community College campus in Oak Ridge and storm drainage improvements. Remaining principal payments occur from 2017 through 2023. The loan had a principal balance of \$568,765 at June 30, 2012. Annual interest payments are amortized below using a 1.26% interest rate, which was the actual weekly rate at June 30, 2012.

In August 2001, City Council authorized the issuance of \$1,000,000 in general obligation debt through the TMBF to finance the expansion, renovation and equipping of the Scarboro Center. The United States Department of Housing and Urban Development (HUD) has approved a \$95,000 annual grant award that is to finance the annual principal and interest payments through the loans maturity in 2017. At June 30, 2012, the outstanding principal balance of the loan was \$417,000. Annual interest payments are amortized below using a 1.16% interest rate, which was the actual weekly rate at June 30, 2012.

On February 25, 2005, the City entered into a \$15,000,000 loan agreement with the Public Building Authority of Blount County to fund a portion of the costs for the ORHS project. At June 30, 2012, the outstanding principal balance of the loan was \$14,550,000. The interest rate on the fixed rate loan is between 3.0% and 4.125%, with maturity in fiscal 2025. Principal payments began in fiscal 2010.

On December 21, 2006, the City entered into a \$5,325,000 loan agreement with the Public Building Authority of Blount County to fund a portion of the costs for renovation and new construction of the ORHS Project. This is a fixed interest rate issuance at 4.375% with principal payments occurring in 2037 and 2038.

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

On April 16 2008, the City executed a loan agreement with the TMBF for \$11,000,000 of which \$7,752,288 was used to fund costs for renovation and new construction of the ORHS project and other school capital projects. The remaining loan proceeds were used to fund electric and waterworks projects. Principal payments begin in 2014 with maturity in 2027. Annual interest payments are amortized below using a 0.84% interest rate, which was the actual weekly rate at June 30, 2012.

Notes payable also includes \$25,875,000 in outstanding debt issued to fund costs for renovation and construction of the ORHS project for which the City has entered into an interest rate swap agreement as outlined beginning on page 64 of the notes to financial statements. During fiscal 2010, the City refunded \$4,675,000 of the outstanding debt under the Series VI-D-3 swap agreements to replace Ambac Assurance Corporation as the holder of a Financial Guarantee Insurance Policy. The purpose of the refunding was to enhance remarketing of the underlying bonds. See details of Series VI-D-3 swap agreement for additional information.

Projected debt service requirements to maturity for notes payable are as outlined below. The interest rate varies on a weekly basis and is paid monthly for the TMBF loans. Annual interest payments on variable interest rate loans are amortized using the actual weekly rate at June 30, 2012. For budgeting purposes, the City uses a 4.50% interest rate for variable rate loans.

| Fiscal Year Ending June 30, | Governmental Activities | | |
|--------------------------------|-------------------------|----------------------|-----------------------|
| | Principal | Interest | Total Requirements |
| 2013 | \$ 326,000 | \$ 2,178,178 | \$ 2,504,178 |
| 2014 | 449,000 | 2,167,873 | 2,616,873 |
| 2015 | 478,000 | 2,155,137 | 2,633,137 |
| 2016 | 492,000 | 2,140,698 | 2,632,698 |
| 2017 | 607,722 | 2,125,581 | 2,733,303 |
| 2018-2022 | 5,684,417 | 10,326,932 | 16,011,349 |
| 2023-2027 | 18,255,914 | 8,061,080 | 26,316,994 |
| 2028-2032 | 11,180,000 | 5,739,167 | 16,919,167 |
| 2033-2037 | 14,290,000 | 2,394,981 | 16,684,981 |
| 2038 | 2,725,000 | 119,219 | 2,844,219 |
| Total | <u>\$ 54,488,053</u> | <u>\$ 37,408,847</u> | <u>\$ 91,896,900</u> |

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

Notes Payable - Swap Agreements

As of June 30, 2012 the City had the following derivative instruments outstanding:

| Instrument | Type | Objective | Original Notional Amount | Maturity Date | Term |
|-----------------------------|------------------------------------|--|--------------------------------|------------------|---|
| Series VI-D-3 ¹ | Pay-fixed Interest Rate Swap | Variable to Synthetic Fixed Rate | \$10,000,000 | 2033 | Pay 3.725% Receive 63.5% of LIBOR |
| Series VI-D-H1 ² | Pay-fixed Interest Rate Swap | Variable to Synthetic Fixed Rate | \$15,675,000 | 2036 | Pay 3.536% Receive 63.0% of LIBOR |

¹Refunded to Series VII-E-1 in 2009

²Refunded to Series VII-E-1 bonds and Series VI-M-1 bonds

The fair value balance and notional amounts of derivative instruments outstanding at June 30, 2012, classified by type and the changes in fair value of such derivative instruments for the years then ended are as follows:

| Type | Changes in Fair Value | | Fair Value at June 30, 2012 | | June 30, 2012 |
|--------------------------------|-----------------------|-----------------------|-----------------------------|-----------------------|--------------------|
| | Classification | Amount | Classification | Amount | Notional Amount |
| Governmental Activities | | | | | |
| Investment Derivative: | | | | | |
| Pay-fixed Interest Rate Swap | | | | | |
| Series VI-D-3 ¹ | | | | | |
| | Investment | | | | |
| | Revenue (Loss) | \$ (1,955,686) | Debt | \$ (3,075,802) | \$ 10,000,000 |
| Investment Derivative: | | | | | |
| Pay-fixed Interest Rate Swap | | | | | |
| Series VI-H-1 ² | | | | | |
| | Investment | | | | |
| | Revenue (Loss) | \$ (2,875,187) | Debt | \$ (4,209,690) | \$ 15,675,000 |
| | | <u>\$ (4,830,873)</u> | | <u>\$ (7,285,492)</u> | |

¹Refunded to Series VII-E-1 in 2009

²Refunded to Series VII-E-1 bonds and Series VI-M-1 bonds

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Derivative Swap Agreement Details

Swap - Local Government Improvement Bonds, Series VI-D-3 (Refunded by Series VII-E-1 bonds)

On December 1, 2004, the City entered into a \$10,000,000 loan agreement with the Public Building Authority of Sevier County as part of the TN-LOANS program to fund a portion of the costs for renovation and new construction of the ORHS Project. Principal payments are to occur on the loan from 2031 to 2033. Under its loan agreement, the Public Building Authority of Sevier County, TN (the "Authority"), at the request of the City, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series VI-D-3.

Interest rate swaps are classified as hedging derivative instruments if the hedging instruments meet effectiveness criteria established by Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The swap Series VI-D-3 did not meet that criteria and therefore is classified as an investment derivative. The City recorded a liability for the investment derivative totaling the negative fair value of \$3,075,802 in the statement of net assets. The city also recorded the current year change in fair value of \$1,995,686 in the statement of activities as an investment loss.

Objective of the interest rate swap: In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the City requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$10 million Series VI-D-3 variable-rate bonds. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate. The Series VI-D-3 bonds have since been refunded with a portion of the proceeds of the Series VII-E-1 bonds and the interest rate swap is now associated with the Series VII-E-1 bonds.

Terms: Under the swap, the Authority pays the counterparty a fixed payment of 3.725 percent and receives a variable payment computed as 63.50 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$10 million and the associated variable-rate bond has a \$10 million principal amount. At no time will the notional amount on interest rate swap agreement exceed the outstanding principal of the Series VII-E-1 Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2033. As of June 30, 2012, rates were as follows:

| | <u>Terms</u> | <u>Rates</u> |
|--|--------------|----------------------|
| Interest Rate Swap: | | |
| Fixed payments to counterparty | Fixed | 3.725% |
| Variable payment from counterparty | % LIBOR | -0.616% |
| Net interest rate swap payments | | <u>3.109%</u> |
| Variable rate bond coupon payments | | 0.770% |
| On-going variable rate bond payments | | <u>0.820%</u> |
| Effective synthetic interest rate on bonds | | <u><u>4.699%</u></u> |

CITY OF OAK RIDGE, TENNESSEE
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Fair value: As of June 30, 2012, the swap had a negative fair value of (\$3,075,803). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk: As of June 30, 2012, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard and Poor's as of June 30, 2012, with its Credit Support Provider, Deutsche Bank, rated A2/A+/A+ by Moody's, Standard & Poor's and Fitch, respectively.

Basis risk: As noted above, the swap exposes the City to basis risk should the rate on the Bonds increase to above 63.5% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the Bonds to be below 63.5% of LIBOR, then the synthetic rate on the bonds will decrease.

Termination risk: The swap contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap's fair value.

Swap payments and associated debt: As of June 30, 2012, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
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| Fiscal Year Ending June 30, | Variable Rate Bonds | | Net Interest Rate | Total |
|--------------------------------|----------------------|---------------------|---------------------|----------------------|
| | Principal | Interest | Swap Payment | |
| 2013 | \$ - | \$ 77,000 | \$ 310,905 | \$ 387,905 |
| 2014 | - | 77,000 | 310,905 | 387,905 |
| 2015 | - | 77,000 | 310,905 | 387,905 |
| 2016 | - | 77,000 | 310,905 | 387,905 |
| 2017 | - | 77,000 | 310,905 | 387,905 |
| 2018-2022 | - | 385,000 | 1,554,525 | 1,939,525 |
| 2023-2027 | - | 385,000 | 1,554,525 | 1,939,525 |
| 2028-2032 | 5,500,000 | 375,760 | 1,517,216 | 7,392,976 |
| 2033 | 4,500,000 | 34,650 | 139,907 | 4,674,557 |
| Total | \$ 10,000,000 | \$ 1,565,410 | \$ 6,320,698 | \$ 17,886,108 |

Swap - Local Government Improvement Bonds, Series VI-H-1 (Refunded to Series VII-E-1 bonds and Series VI-M-1 bonds)

On November 22, 2006, the City entered into a \$15,675,000 loan agreement with the Public Building Authority of Sevier County as part of the TN-LOANs program to fund a portion of the costs for renovation and new construction of the ORHS Project. Principal payments are to occur on the loan from 2025 to 2036. Under its loan agreement, the Public Building Authority of Sevier County, TN (the "Authority"), at the request of the City, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series VI-H-1.

Interest rate swaps are classified as hedging derivative instruments if the hedging instruments meet effectiveness criteria established by Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The swap Series VI-H-1 did not meet that criteria and therefore is classified as an investment derivative. The City recorded a liability for the investment derivative totaling the negative fair value of \$4,209,690 in the statement of net assets. The city also recorded the current year changes in fair value of \$2,875,187 in the statement of activities as an investment loss.

Objective of the interest rate swap: In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the City requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$15.675 million Series VI-H-1 variable-rate bonds. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate. \$11,000,000 of the Series VI-H-1 bonds have since been refunded with a portion of the proceeds of the Series VII-E-1 bonds and the related portion of the interest rate swap is now associated with the Series VII-E-1 bonds. The remaining \$4,675,000 of the Series VI-H-1 bonds have since been refunded with a portion of the Series VI-M-1 bonds and the related portion of the interest rate swap is now associated with the Series VI-M-1 bonds.

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Terms: Under the swap, the Authority pays the counterparty a fixed payment of 3.536 percent and receives a variable payment computed as 63 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$15.675 million and the associated variable-rate bond has a \$15.675 million principal amount. At no time will the notional amount on interest rate swap agreement exceed the outstanding principal of the Series VII-E-1 Bonds and/or Series VI-M-1. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2036. As of June 30, 2012, rates were as follows:

| | Terms | Rates |
|--|---------|---------|
| Interest Rate Swap: | | |
| Fixed payments to counterparty | Fixed | 3.536% |
| Variable payment from counterparty | % LIBOR | -0.611% |
| Net interest rate swap payments | | 2.925% |
| Variable rate bond coupon payments | | 0.550% |
| On-going variable rate bond payments | | 0.911% |
| Effective synthetic interest rate on bonds | | 4.386% |

Fair value: As of June 30, 2012, the swap had a negative fair value of (\$4,209,690). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows to their present value.

Credit risk: As of June 30, 2012, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the swap's fair value. In order to mitigate the potential for credit risk, the Authority, on behalf of the City, entered into the interest rate swap agreement with Depfa Bank, who was rated "A+" by Standard and Poor's, "AA-" by Fitch Ratings and "Aa3" by Moody's Investor Service at the time the interest rate swap agreement was entered into. If Depfa's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian. As of June 30, 2012, Depfa's credit rating had been downgraded and was rated "BBB" by Standard and Poor's (Stable Outlook), "Baa3" by Moody's Investors Service (Stable Outlook) and "BBB+" by Fitch Ratings (Negative Outlook). The counterparty has posted all collateral requirements with a third-party custodian.

Basis risk: As noted above, the swap exposes the City to basis risk should the rate on the bonds increase to above 63% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the bonds to be below 63% of LIBOR, then the synthetic rate on the bonds will decrease.

CITY OF OAK RIDGE, TENNESSEE
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Termination risk: The swap contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap's fair value.

Swap payments and associated debt: As of June 30, 2012, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

| Fiscal Year Ending June 30, | Variable Rate Bonds | | Net Interest Rate Swap Payment | Total |
|--------------------------------|----------------------|--------------------|-----------------------------------|----------------------|
| | Principal | Interest | | |
| 2013 | \$ - | \$ 86,213 | \$ 458,478 | \$ 544,691 |
| 2014 | - | 86,213 | 458,478 | 544,691 |
| 2015 | - | 86,213 | 458,478 | 544,691 |
| 2016 | - | 86,213 | 458,478 | 544,691 |
| 2017 | - | 86,213 | 458,478 | 544,691 |
| 2018-2022 | - | 431,063 | 2,292,390 | 2,723,453 |
| 2023-2027 | 2,975,000 | 423,088 | 2,249,979 | 5,648,067 |
| 2028-2032 | 5,575,000 | 264,550 | 1,406,877 | 7,246,427 |
| 2033-2036 | 7,125,000 | 118,663 | 631,047 | 7,874,710 |
| Total | <u>\$ 15,675,000</u> | <u>\$1,668,429</u> | <u>\$ 8,872,683</u> | <u>\$ 26,216,112</u> |

In January 2013, both bond issues under the swap agreements were converted to direct purchase bonds as outlined in Note 23, Subsequent Events.

City Equipment Replacement Rental Fund

On September 30, 1999, the City executed a general obligation loan agreement through the TMBF loan program for \$2,326,575 for the acquisition of four fire trucks and year 2000 compliant computer hardware and software. The outstanding principal balance of this loan was paid in its entirety from the proceeds of the General Obligation Refunding Bonds Series 2003. The debt service on the \$1,898,733 portion of the bonds required to refund the outstanding loan is to be repaid from revenues in the City Equipment Replacement Rental Fund, an internal service fund, a governmental-type activity. At year-end, the portion of the bonds paid through the Equipment Replacement Rental Fund had a principal balance of \$70,000 which will be paid in June 2013.

CITY OF OAK RIDGE, TENNESSEE
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The debt amortized below includes \$700,000 in taxable general obligation Build America Bonds (BABS) issued in November 2009 used to purchase computer hardware. The federal government provides a 35% subsidy on the interest payment due on these bonds. The bonds mature in 2019 with interest rates ranging from 2.875% to 4.63%, before the 35% federal subsidy is applied. The City has no assurance that the United States Government will continue to make the direct subsidy payments or that the United States Congress will not attempt to reduce the amount of the direct subsidy payments. Interest subsidies received totaled \$9,647 during the year ended June 30, 2012.

Debt service requirements to maturity for Equipment Replacement Rental Fund general obligation debt for the fiscal year ended June 30, 2012, are as follows:

| Fiscal Year Ending June 30, | Governmental Activities | | | | |
|--------------------------------|-------------------------|--------------------|----------------------------|------------------|-----------------------|
| | Principal | Coupon Interest | BABS Treasury Rebate | Net Interest | Total Requirements |
| 2013 | \$ 70,000 | \$ 30,363 | \$ (9,647) | \$ 20,716 | \$ 90,716 |
| 2014 | 50,000 | 27,563 | (9,647) | 17,916 | 67,916 |
| 2015 | 200,000 | 26,125 | (9,144) | 16,981 | 216,981 |
| 2016 | - | 19,875 | (6,956) | 12,919 | 12,919 |
| 2017 | 150,000 | 19,875 | (6,956) | 12,919 | 162,919 |
| 2018-2019 | 300,000 | 27,750 | (9,713) | 18,037 | 318,037 |
| Total | \$ 770,000 | \$ 151,551 | \$ (52,063) | \$ 99,488 | \$ 869,488 |

Capital Leases Obligations

On August 9, 2011, the Schools entered into a \$1,152,844 capitalized lease purchase agreement with California First National Bank for the purchase of approximately 390 computers. Since each individual computer cost less than \$5,000, these were expensed in accordance with the Schools' capitalization policy. Terms of the capital leases required an initial payment of \$301,019 and three annual payments of \$301,019 at 2.97% interest through August 10, 2014. The principal balance was \$851,825 at year-end.

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| <u>Fiscal Year Ending June 30,</u> | | |
|---|----|-----------------|
| 2013 | \$ | 301,019 |
| 2014 | | 301,019 |
| 2015 | | <u>301,019</u> |
| Total Future Minimum Lease Payments | | 903,057 |
| Less: Amount representing interest | | <u>(51,232)</u> |
| Present Value of Minimum Lease Payments | \$ | <u>851,825</u> |

B. Long-term Debt – Business-type Activities

Bonds

Revenue Bonds

In March 2003, the City issued \$12,425,000 in Electric Revenue Refunding Bonds, Series 2003 to refund portions of outstanding Electric Fund debt. This bond issuance is payable solely from and secured by the income and revenues from the operation of the electric power distribution system, subject only to the payment of reasonable and necessary costs of operating, maintaining, repairing and insuring said system. Principal payments will occur through 2016. Interest rates on the bonds range from 4% to 5%. The principal balance of the bonds is \$3,990,000 at June 30, 2012.

General Obligation Bonds

In February 2009, the City issued \$27,285,000 in General Obligation Refunding Bonds Series 2009 which included a current refunding of \$10,380,000 in outstanding Electric Fund variable interest rate revenue debt. The bonds are to be repaid from Electric Fund revenues and accordingly, have been recorded as a long-term liability of the Electric Fund. Principal payments will occur from 2017 through 2025. Interest rates on the bonds range from 2% to 4%. The reacquisition price was \$192,508 less than the net carrying amount of the old debt. This amount is being netted against the new debt and amortized over the new debt's life, which is shorter than the refunded debt. The principal balance of the bonds is \$10,070,000 at June 30, 2012.

In November 2009, the City issued \$20,000,000 in taxable general obligation Build America Bonds (BABS) for various city capital projects. \$5,000,000 of the bond proceeds will be utilized for Electric Fund capital projects. The annual debt service requirement on this portion of the BABS is to be repaid from Electric Fund revenues and accordingly, have been recorded as a long-term liability of the Electric Fund. The federal government provides a 35% subsidy on the interest payment due on these bonds. Principal payments will occur from 2028 to 2038 with interest rates ranging from 6% to 6.15%, before the 35% federal subsidy is applied. The City has no assurance that the United States Government will continue to make the direct subsidy payments or that the United States Congress will not attempt to reduce the amount of the direct subsidy payments. Interest subsidies received totaled \$105,971 during the year ended June 30, 2012.

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Debt service requirements to maturity for bonds funded by the Electric Fund for the fiscal year ended June 30, 2012, are as follows:

| Fiscal Year Ending June 30, | Business-type Activities | | | | Total Requirements |
|--------------------------------|--------------------------|----------------------|----------------------------|---------------------|-----------------------|
| | Principal | Coupon Interest | BABS Treasury Rebate | Net Interest | |
| 2013 | \$ 1,010,000 | \$ 920,919 | \$ (105,971) | \$ 814,948 | \$ 1,824,948 |
| 2014 | 1,095,000 | 870,419 | (105,971) | 764,448 | 1,859,448 |
| 2015 | 925,000 | 826,619 | (105,971) | 720,648 | 1,645,648 |
| 2016 | 960,000 | 789,619 | (105,971) | 683,648 | 1,643,648 |
| 2017 | 1,000,000 | 751,219 | (105,971) | 645,248 | 1,645,248 |
| 2018-2022 | 5,595,000 | 3,041,295 | (529,856) | 2,511,439 | 8,106,439 |
| 2023-2027 | 3,475,000 | 1,812,163 | (529,856) | 1,282,307 | 4,757,307 |
| 2028-2032 | 2,250,000 | 1,243,875 | (435,356) | 808,519 | 3,058,519 |
| 2033-2037 | 2,275,000 | 566,850 | (198,397) | 368,453 | 2,643,453 |
| 2038 | 475,000 | 29,212 | (10,224) | 18,988 | 493,988 |
| Total | \$ 19,060,000 | \$ 10,852,190 | \$ (2,233,544) | \$ 8,618,646 | \$ 27,678,646 |

Electric System Notes Payable

In June 2006, the City executed a \$9,000,000 loan agreement through the TMBF for electric and waterworks improvements. The outstanding principal balance of the Electric Fund loan liability was \$2,334,873 at June 30, 2012. Annual principal payments will occur through 2026. Annual interest payments are amortized below using a 0.99% interest rate, which was the actual weekly rate at June 30, 2012.

In April 2008, the City executed an \$11,000,000 loan agreement through the TMBF for school, electric and waterworks improvements. The outstanding principal balance of the Electric Fund loan liability was \$1,453,296 at June 30, 2012. Principal payments will occur from 2015 through 2027. Annual interest payments are amortized below using a 0.84% interest rate, which was the actual weekly rate at June 30, 2012.

The interest rate varies on a weekly basis for these two loans. Annual interest payments are amortized below using the actual weekly rate at June 30, 2012. Projected debt service requirements to maturity as of June 30, 2012 as follows:

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| Fiscal Year Ending June 30, | Business-type Activities | | |
|--------------------------------|--------------------------|-------------------|-----------------------|
| | Principal | Interest | Total Requirements |
| 2013 | \$ 127,769 | \$ 35,317 | \$ 163,086 |
| 2014 | 132,773 | 34,042 | 166,815 |
| 2015 | 163,111 | 32,701 | 195,812 |
| 2016 | 213,448 | 31,082 | 244,530 |
| 2017 | 149,453 | 29,111 | 178,564 |
| 2018-2022 | 916,007 | 120,722 | 1,036,729 |
| 2023-2027 | 2,085,608 | 57,277 | 2,142,885 |
| Total | <u>\$ 3,788,169</u> | <u>\$ 340,252</u> | <u>\$ 4,128,421</u> |

General Obligation Bonds – Waterworks Fund:

In March 2003, the City issued \$14,720,000 in General Obligation Refunding Bonds Series 2003, a portion of which paid all the outstanding Waterworks Fund variable interest rate debt for the TN-LOANs H-1 loan issued in 1997 and Tennessee Municipal Bond Fund (TMBF) loan issued in 1998 and the 2003 through 2016 maturities of the variable interest rate TMBF loan issued in 1995. Interest rates range from 2% to 4% with the bonds maturing in 2016. The principal balance of the bonds outstanding at June 30, 2012 was \$1,820,000.

In November 2009, the City issued \$20,000,000 in taxable general obligation Build America Bonds (BABS) for various city capital projects. \$5,000,000 of the bond proceeds will be utilized for Waterworks Fund capital projects. The annual debt service requirement on this portion of the BABS is to be repaid from Waterworks Fund revenues and accordingly, have been recorded as a long-term liability of the Waterworks Fund. The federal government provides a 35% subsidy on the interest payment due on these bonds. Principal payments will occur from 2023 to 2030 with interest rates ranging from 5% to 6%, before the 35% federal subsidy is applied. The City has no assurance that the United States Government will continue to make the direct subsidy payments or that the United States Congress will not attempt to reduce the amount of the direct subsidy payments. Interest subsidies received totaled \$102,244 during the year ended June 30, 2012.

On September 29, 2011, the City issued \$9,810,000 in General Obligation Bonds Series 2011B for capital improvements to the City's water and wastewater system. The annual debt service payments are to be funded through the applicable water and wastewater rates. The bonds were issued at a premium of \$88,018, underwriter's discount of \$77,370 and issuance costs of \$78,248, which are being amortized over the seventeen year life of the bonds. Interest rates range from 2% to 3% with the bonds maturing in 2028. The principal balance of the bonds outstanding at June 30, 2012 was \$9,810,000.

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Debt service requirements to maturity for bonds funded by the Waterworks Fund for the fiscal year ended June 30, 2012, are as follows:

| Fiscal Year Ending June 30, | Business-type Activities | | | | |
|--------------------------------|--------------------------|---------------------|----------------------------|---------------------|-----------------------|
| | Principal | Coupon Interest | BABS Treasury Rebate | Net Interest | Total Requirements |
| 2013 | \$ 535,000 | \$ 624,475 | \$ (102,244) | \$ 522,231 | \$ 1,057,231 |
| 2014 | 545,000 | 605,075 | (102,244) | 502,831 | 1,047,831 |
| 2015 | 560,000 | 585,275 | (102,244) | 483,031 | 1,043,031 |
| 2016 | 580,000 | 564,875 | (102,244) | 462,631 | 1,042,631 |
| 2017 | 200,000 | 543,675 | (102,244) | 441,431 | 641,431 |
| 2018-2022 | 1,150,000 | 2,655,375 | (511,219) | 2,144,156 | 3,294,156 |
| 2023-2027 | 9,075,000 | 2,077,563 | (445,462) | 1,632,101 | 10,707,101 |
| 2028-2030 | 3,985,000 | 370,050 | (116,550) | 253,500 | 4,238,500 |
| Total | \$ 16,630,000 | \$ 8,026,363 | \$ (1,584,451) | \$ 6,441,912 | \$ 23,071,912 |

Notes Payable – Waterworks Fund

The City executed loan agreements for \$6,152,006 and \$3,000,000 during fiscal 1995 and 2001, respectively, with the TMBF to fund water and wastewater system rehabilitation and expansion. The 2003 to 2016 maturities of the 1995 loan were paid from the proceeds of the General Obligation Refunding Bonds Series 2003. The remaining portion of the 1995 loan matures in 2023 and the 2001 loan matures in 2021. The outstanding principal balance on these loans at June 30, 2012 was \$4,662,735. Annual interest payments are amortized below using a 1.26% and 1.02% interest rate on the 1995 and 2001 loan, respectively, which was the actual weekly rate at June 30, 2012.

In June 2006, the City executed a \$9,000,000 loan agreement through the TMBF for electric and waterworks improvements. The outstanding principal balance of the Waterworks Fund portion of the loan was \$4,664,128 at June 30, 2012. Annual principal payments will occur through 2026. Annual interest payments are amortized below using a 0.99% interest rate, which was the actual weekly rate at June 30, 2012.

In April 2008, the City executed an \$11,000,000 loan agreement through the TMBF for school, electric and waterworks improvements. The outstanding principal balance of the Waterworks Fund portion of the loan was \$1,794,416 at June 30, 2012. Principal payments will occur from 2017 through 2027. Annual interest payments are amortized below using a 0.84% interest rate, which was the actual weekly rate at June 30, 2012.

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During fiscal 2011, the General Fund loaned the Waterworks Fund \$5,000,000 for bridge financing of waterworks capital improvements. Under Tennessee State Law, these type loans between City funds are required to be in the form of capital outlay notes. State law requires City Council to adopt a resolution authorizing the obligation and obtainment of approval from the Comptroller of the Treasury or Comptroller's designee in accordance with the requirements of Title 9, Chapter 21, Part 6, Tennessee Code Annotated. The interfund loan is dated November 1, 2010. On July 11, 2011, City Council retroactively authorized the issuance of \$5,000,000 in capital outlay notes as of November 1, 2010, and on August 8, 2011 the City received notification of the retroactive approval of the capital outlay notes by the Comptroller's Office. In accordance with State law the notes have a maximum maturity of three fiscal years. Annual principal payments are due in three equal installments with interest at 1% per annum. The capital outlay notes were recorded as an advance to other funds in the City's General Fund and as liability for notes payable in the Waterworks Fund. The capital outlay notes had an outstanding balance of \$3,333,333 at June 30, 2012.

The TMBF loans and capital outlay notes are to be repaid from Waterworks Fund revenues and accordingly, have been recorded as a long-term liability of the Waterworks Fund. Terms of the TMBF loan agreements provide for annual principal and monthly interest installments, with the interest rate varying on a weekly basis. Annual interest payments are amortized below using the actual weekly rate at June 30, 2012, with projected debt service requirements to maturity as follows:

| Fiscal Year Ending June 30 | Business-Type Activities | | |
|-------------------------------|--------------------------|---------------------|-----------------------|
| | Principal | Interest | Total Requirements |
| 2013 | \$ 2,069,898 | \$ 148,586 | \$ 2,218,484 |
| 2014 | 2,086,893 | 127,865 | 2,214,758 |
| 2015 | 438,889 | 106,972 | 545,861 |
| 2016 | 457,552 | 102,559 | 560,111 |
| 2017 | 877,525 | 97,569 | 975,094 |
| 2018-2022 | 4,980,575 | 334,760 | 5,315,335 |
| 2023-2027 | 3,543,280 | 83,932 | 3,627,212 |
| Total | <u>\$ 14,454,612</u> | <u>\$ 1,002,243</u> | <u>\$ 15,456,855</u> |

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

Tennessee State Revolving Fund Loan – Waterworks Fund

During fiscal 1998 and 1999, the City executed an \$11,197,000 loan and a \$5,000,000 loan through the Tennessee State Revolving Fund (SRF) administered by the Tennessee Department of Environment and Conservation (TDEC) to finance improvements and expansion of the Wastewater Treatment Plant, wastewater collection system rehabilitation and wastewater lift station replacements. Terms of both 20-year loans call for monthly principal and interest payments, using a 4.09% and a 4.04% fixed interest rate, respectively. Debt service payments will be funded by Waterworks Fund revenues from residential and commercial wastewater fees. The City pledged its State-shared tax revenues (State sales, gasoline, beer, TVA replacement, mixed drinks, alcoholic beverages and income tax) as collateral for the loan. It is not anticipated that revenues from these sources will be required to fund the debt service on these loans. The outstanding principal balance of these loans was \$6,971,163 and \$3,013,838, respectively, at June 30, 2012. During fiscal 2003, a third loan from the SRF program for \$7,000,000 was approved that will provide financing for the fiscals 2005 to 2010 phase of the wastewater system rehabilitation project, which includes sanitary sewer replacement, slip-lining, cured-in-place and pipe bursting, and manhole and pump station rehabilitation and replacement. Terms of the loan are the same as outlined above with the exception that the fixed interest rate for this loan is 3.83%. Loan proceeds are drawn as work is completed. \$5,704,946 in loan proceeds had been drawn as of June 30, 2012. A projected amortization schedule for outstanding SRF loans as of June 30, 2012 is as follows:

| Fiscal Year Ending June 30, | Business-Type Activities | | |
|--------------------------------|--------------------------|---------------------|-----------------------|
| | Principal | Interest | Total Requirements |
| 2013 | \$ 811,392 | \$ 610,336 | \$ 1,421,728 |
| 2014 | 1,038,707 | 573,264 | 1,611,971 |
| 2015 | 1,081,343 | 530,629 | 1,611,972 |
| 2016 | 1,125,724 | 486,236 | 1,611,960 |
| 2017 | 1,171,947 | 440,024 | 1,611,971 |
| 2018-2022 | 6,622,134 | 1,437,655 | 8,059,789 |
| 2023-2027 | 1,650,732 | 569,285 | 2,220,017 |
| 2028-2032 | 1,787,580 | 256,137 | 2,043,717 |
| 2033 | 400,388 | 8,355 | 408,743 |
| Total | <u>\$ 15,689,947</u> | <u>\$ 4,911,921</u> | <u>\$ 20,601,868</u> |

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

Capital Leases Obligations – Business-type Activities

On December 19, 2006, the City entered into a capital lease agreement with Motorola to upgrade the City's 800 MHz radio system to allow for digital capabilities. Terms of the 10-year lease agreement call for annual principal and interest payments of \$150,902 beginning on January 1, 2008. The interest rate on the lease is 4.98%.

The future principal and interest payments on these capital lease obligations as of June 30, 2012 are as follows:

| <u>Year Ending June 30,</u> | |
|--|-------------------|
| 2013 | \$ 150,902 |
| 2014 | 150,901 |
| 2015 | 150,902 |
| 2016 | 150,901 |
| 2017 | <u>150,902</u> |
| Total Future Minimum Lease Payments | 754,508 |
| Less: | |
| Amount presenting interest at 4.98% | (100,821) |
| Current portion of capital lease | <u>(118,348)</u> |
| Long-term capitalized lease obligation | <u>\$ 535,339</u> |

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

14. INTERFUND RECEIVABLE AND PAYABLE BALANCES

Due to and from accounts represent short-term loans between funds. At June 30, the Grant Fund had a \$117,938 due to the General Fund. The Due To/From resulted from timing between cash disbursements for grant eligible items and cash reimbursement from grant awards.

Advances to and from accounts represent long-term loans between funds. During fiscal 2012, the General Fund advanced the Waterworks Fund \$5,000,000 for bridge financing for Waterworks capital improvements. Under Tennessee State Law, these type loans between City funds are required to be in the form of capital outlay notes. Annual principal payments are due in three equal installments with interest at 1% per annum. The capital outlay notes were recorded as an advance to other funds in the City's General Fund and as liability for notes payable in the Waterworks Fund. The balance at June 30, 2012 was \$3,333,333.

The General, Electric and Waterworks Funds, have advanced the Inventory Fund \$3,100,761 for the purchase of stock materials maintained in the City's warehouse. The costs of inventories are recorded as expenditures by the applicable user fund when the materials are consumed.

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|---------------------|
| General | Waterworks Fund | \$ 3,333,333 |
| General | Inventory | 112,500 |
| Electric | Inventory | 1,815,000 |
| Waterworks | Inventory | <u>1,173,261</u> |
| Total | | <u>\$ 6,434,094</u> |

15. TRANSFERS

Transfers were primarily to support capital projects, debt service and operations of the funds. Interfund transfers for the current fiscal year were as follows:

| <u>Transfer Out</u> | <u>Transfer In</u> | | | | | <u>Total</u> |
|---------------------|---------------------|----------------------|------------------------------|--------------------------|-----------------------|----------------------|
| | <u>General Fund</u> | <u>School Fund</u> | <u>Capital Projects Fund</u> | <u>Debt Service Fund</u> | <u>Nonmajor Funds</u> | |
| General Fund | \$ - | \$ 14,629,302 | \$ 2,012,000 | \$ 3,045,000 | \$ 932,090 | \$ 20,618,392 |
| Electric Fund | 1,423,445 | - | - | - | - | 1,423,445 |
| Waterworks Fund | 1,432,462 | - | - | - | - | <u>1,432,462</u> |
| Total | <u>\$ 2,855,907</u> | <u>\$ 14,629,302</u> | <u>\$ 2,012,000</u> | <u>\$ 3,045,000</u> | <u>\$ 932,090</u> | <u>\$ 23,474,299</u> |

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

16. COMMITMENTS

At June 30, 2012, the City had remaining contractual commitments for professional services, construction contracts and equipment purchases totaling \$9,712,215 for the following projects:

| <u>Projects</u> | <u>Spent-To-Date</u> | <u>Commitment Remaining</u> | <u>Committed Fund</u> |
|--------------------------------------|-----------------------------|---------------------------------|-----------------------|
| Roane State Community College | \$ 250,000 | \$ 250,000 | Capital Projects |
| Melton Lake Park Pavilion | - | 159,284 | Capital Projects |
| Line Construction | 941,098 | 2,158,330 | Electric |
| Substation 800 Expansion | 710,000 | 472,199 | Electric |
| Water Treatment Plant Improvements | 182,292 | 114,708 | Waterworks |
| Wastewater Distribution System Rehab | 2,151,264 | 17,181 | Waterworks |
| Water Tank Improvements | 1,061,301 | 172,572 | Waterworks |
| West End Waterworks Expansion | 735,492 | 1,248,023 | Waterworks |
| Administrative Order EPA | 4,171,035 | 5,119,918 | Waterworks |
| Total | <u>\$ 10,202,482</u> | <u>\$ 9,712,215</u> | |

The second and final installment of the City's \$500,000 contribution toward the expansion of the Oak Ridge Roane State Community College campus will be funded through the Capital Projects Fund. In fiscal 2011, the General Fund transferred \$500,000 to the Capital Projects Fund to finance this contribution. A donation from UT-Battelle of \$140,838 will be utilized toward the \$159,284 contracted costs to build a pavilion at Melton Lake Park.

Electric and Waterworks Fund projects will be funded through debt issuances during fiscal 2012 and 2013 and revenues generated through the respective rate structure. Electric rates increased approximately 1.9% in October 2010 and rate increases for both water and wastewater services were adopted by City Council in April 2012 with effective dates of May 2012 and January 2013. In September 2011, the City issued \$9,810,000 in bonds to finance water and wastewater capital improvements of which \$898,312 remained at fiscal year-end. An additional \$1,295,054 is available for wastewater projects from an approved State Revolving Fund loan. In December 2012, the City issued a \$5,000,000 variable interest rate loan through the Tennessee Municipal Bond Fund for water and wastewater projects.

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

17. FUND BALANCE

At June 30, 2012, fund balance is classified as follows:

| | Major Governmental Funds | | | | Nonmajor Governmental Funds | Totals |
|-----------------------------|--------------------------|---------------------|-----------------------------|-------------------------|-----------------------------------|----------------------|
| | General Fund | School Fund | Capital Projects Fund | Debt Service Fund | | |
| Nonspendable | | | | | | |
| Inventory | \$ - | \$ - | \$ - | \$ - | \$ 20,994 | \$ 20,994 |
| Prepays | 6,120 | 88,167 | - | - | 22,826 | 117,113 |
| Advances to Other Funds | 3,445,833 | - | - | - | - | 3,445,833 |
| Restricted To: | | | | | | |
| Education programs | - | 141,603 | - | - | - | 141,603 |
| Debt Service | - | - | - | 9,294,733 | - | 9,294,733 |
| Capital Projects | - | - | 34,104 | - | - | 34,104 |
| Drug Enforcement | - | - | - | - | 222,848 | 222,848 |
| Grant Projects | - | - | - | - | - | - |
| Street Improvements | - | - | - | - | 905,313 | 905,313 |
| Public Transportation | - | - | - | - | 41,180 | 41,180 |
| Committed To: | | | | | | |
| Education programs | - | 74,825 | - | - | - | 74,825 |
| Assigned To: | | | | | | |
| 2013 Budgeted | | | | | | |
| Fund Balance Draw | 697,871 | - | - | - | - | 697,871 |
| Education | - | 5,676,413 | - | - | - | 5,676,413 |
| Debt Service | - | - | - | 1,735,104 | - | 1,735,104 |
| Capital Projects | - | - | 2,099,288 | - | - | 2,099,288 |
| Economic Development | - | - | - | - | 625,650 | 625,650 |
| Grant projects | - | - | - | - | 112,877 | 112,877 |
| Recreation | 25,000 | - | - | - | 1,156,649 | 1,181,649 |
| Fire and Emergency Services | - | - | - | - | 416,775 | 416,775 |
| Special Programs | - | - | - | - | 918,772 | 918,772 |
| Unassigned | 5,042,225 | - | - | - | - | 5,042,225 |
| Total | \$ 9,217,049 | \$ 5,981,008 | \$ 2,133,392 | \$ 11,029,837 | \$ 4,443,884 | \$ 32,805,170 |

Nonspendable fund balances include \$20,994 in inventory in the Golf Course Fund and \$117,113 in miscellaneous prepaids. General Fund Advances to Other Funds includes \$112,500 advanced to the Inventory Fund and \$3,333,333 advanced to the Waterworks Fund for capital improvements.

Restrictions in the School Fund of \$141,603 were primarily for the Career Ladder Program, extended contacts and for the Central Cafeteria. The \$9,294,733 restricted fund balance in the Debt Service Fund is from that portion of local sales tax collections that resulted from a .50% increase in the sales tax approved by Oak Ridge voters at referendum. These sales tax proceeds are restricted to paying the debt issued for the renovation and construction at the ORHS until all

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

the debt is extinguished. Restrictions in the Drug, State Street Aid and Street and Public Transportation Fund are due to state law restrictions on the revenues accounted for in those funds.

The committed fund balance of \$74,825 in the School Fund is primarily for extended school programs.

\$25,000 was assigned in the General Fund for enhancements at Melton Lake Park in conjunction with the construction of a new pavilion. \$697,871 has been assigned as the budgeted fund balance draw in the General Fund for fiscal 2013.

18. LITIGATION

The City generally follows the practice of recording liabilities from claims and legal actions only when it is probable that both (1) an asset has been impaired or a liability has been incurred, and (2) the amount of loss can be reasonably estimated. Settlement of all potential claims from various lawsuits in which the City is involved would not, in management's estimation, materially affect the financial statements of the City.

19. RISK MANAGEMENT

The City Insurance Fund, an internal service fund, is used to account for risks of loss related to torts; theft of, damage to, and destruction of assets; natural disasters; errors and omissions; injuries to employees; and employee medical insurance plans. The City Insurance Fund does not account for risks related to the City School system assets or employees. Funding for the City Insurance Fund is provided by the General, Electric and Waterworks Funds through an allocation for insurance coverage based on each Fund's pro rata share of services provided. The School Fund, a Special Revenue Fund, is used to account for School system risks of loss related to torts; theft of, damage to, and destruction of assets; natural disasters; errors and omissions; injuries to employees; and employee medical insurance plans.

City employee group medical insurance is fully provided through an independent insurance carrier with the City and employees contributing to payment of the premiums. Dental and vision benefits provided to employees by the City are self-insured and funded from the revenues of the City Insurance Fund. School employee medical insurance is fully provided through an independent insurance carrier with the School Fund and the employees contributing to payment of the premiums.

Insurance coverage for City and School assets related to general liability, auto liability, auto physical damage, errors and omissions and workers compensation for city and school system employees is through public entity risk pools operated as a risk sharing programs by the Tennessee Municipal League (TML) for the City coverage and the Tennessee Risk Management Trust (TNRMT) for school coverage. These pools are sustained by member premiums and the City and Schools pay an annual premium for its coverage. Coverage through the Pool is for payment of damage claims and to defend the City in any damage suit that is included in the coverage, up to the policy's applicable limits, at the Pool's expense. This includes any other necessary costs relating to the defense. The City has the responsibility of following any reporting requirements, including timely

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

reporting of any incidents that might result in a damage claim. The City is to do everything necessary to protect the rights of recovery of the Pool and enforcement of these rights by complying with all terms of the policy. The Pool has the right to apply premium rate changes as necessary.

Other risks of loss are covered by commercial insurance with the City being responsible for the per occurrence deductible. The annual per occurrence deductible for each insurance policy covered by the School Fund for fiscal 2012 is \$500 except for boiler and machinery, which is \$1,000. In fiscal 2012, the city paid \$330,340 in net deductibles to the TML for workers compensation and property liability claims. The per occurrence deductible for each insurance policy covered by the City Insurance Fund for fiscal 2012 is as outlined below:

| Insurance Plan | Annual Per Occurrence Deductible |
|--------------------------------------|--|
| General Liability | \$ 1,000 |
| Auto Liability | 1,000 |
| Auto Physical Damage | 5,000 |
| Errors and Omissions | 5,000 |
| Buildings and Personal Property | 10,000 |
| Equipment Breakdown | 10,000 |
| Electronic Data Processing Equipment | 2,500 |
| Worker's Compensation | 50,000 |

There have been no liabilities in excess of commercial insurance coverage for the past three fiscal years. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Changes in the claims liability amount for the City Insurance Funds for the fiscal years ended June 30, 2011 and June 30, 2012 were as follows:

| | Beginning of Fiscal Year Liability | Current Year Claims and Changes in Estimate | Claims Payments | Balance at Fiscal Year End |
|------|--|--|--------------------|----------------------------------|
| 2012 | \$ 372,538 | \$ 544,996 | \$ (562,367) | \$ 355,167 |
| 2011 | \$ 141,629 | \$ 712,010 | \$ (481,101) | \$ 372,538 |

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

20. BUDGET AMENDMENTS

Amendments to the fiscal 2012 budgeted expenditures are as follows:

| <u>Governmental Fund</u> | <u>Original Budget</u> | <u>Additional Appropriations</u> | <u>Final Budget</u> |
|--------------------------|------------------------|----------------------------------|---------------------|
| School Fund | \$ 57,577,851 | \$ (1,002,629) | \$56,575,222 |

In order to retain the fiscal 2012 property tax rate at the fiscal 2011 level, City Council did not approve the Oak Ridge Schools operating transfer request from the City's General Fund for fiscal 2012. After City Council's adoption of the original budget ordinance, the Oak Ridge School Board met and reduced the total budgeted fiscal 2012 expenditures of the School Fund by \$1,002,629, reflecting the impact of the lower operating transfer from the City's General Fund. The budget ordinance was amended by City Council to set the appropriation of the School Fund at the reduced level of \$56,575,222.

21. CHANGE IN ESTIMATES

In fiscal 2012, the City made a change in estimate to the useful life of processing equipment and other improvements at the City's water and wastewater treatment plants. The change was made based on the estimated remaining life of these assets. The change had the effect of decreasing change in net assets on the Government-wide and Waterworks Fund statements for 2012 by \$431,377.

22. ENVIRONMENTAL PROTECTION AGENCY ADMINISTRATIVE ORDER

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. Failure to comply with the AO may subject the City to certain penalties. The City has been given a timetable and actions to be made to remedy the violations with various deadlines through 2015. The City's remediation plans must be approved by the EPA. In August 2012, the City's Wastewater Collection System Remediation Plan Report was submitted to EPA which outlines the construction project schedule to meet the requirements of the AO. At that time, construction project costs were estimated at \$23,090,800 with an estimated completion date of August 2015.

Wastewater rate increases of approximately 43% have been approved by City Council with implementation effective in two phases. The first wastewater rate increase was effective May 1, 2012 and the second phase is effective on January 1, 2013. Additional wastewater rate increases are expected to fund the debt and increased level of ongoing maintenance costs required for the City to meet the requirements of the AO. The next wastewater rate study is planned for the summer of 2013. On September 29, 2011, \$9,810,000 in debt was issued to fund water and wastewater projects, including the initial phase of EPA mandated capital expenditures. An additional \$23,000,000 in debt is anticipated to be issued as outlined in subsequent events below.

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

23. SUBSEQUENT EVENTS

On December 26, 2012, the City closed on a \$5,000,000 loan through the Tennessee Municipal Bond Fund to finance water and wastewater capital improvements, including capital projects required to meet the EPA AO as outlined in Note 22. Interest is paid monthly with the rate varying weekly based on the Securities Industry and Financial Markets Association (SIFMA) index plus 90 basis points. Annual principal payments are scheduled from 2014 through 2033.

In January 2013, the City converted \$25,515,000 in Series VI-M-1 and Series VII-E-1 bonds from bonds that are remarketed weekly to investors to direct purchase bonds that are owned by US Bank. These two bond series are swap instruments as outlined on page 64 of the Notes. The purchase has a five year term, after which the City can 1) renew the agreement for another set time period, 2) seek other proposals, or 3) convert to another mode. The City has the option to terminate this agreement and convert to another mode, without penalty, at any time after 18 months. The principal payment amortization of the bonds remain at their current level, with final maturity of the VI-M-1 bonds in 2029 and final maturity of the VII-E-1 bonds in 2036. The bonds were converted to reduce variable interest rate risk on the bonds.

The City is in the process of applying for an \$18,000,000 loan through the Tennessee State Revolving Loan Fund to finance wastewater capital projects to meet the EPA AO outlined in Note 22. The loan will require approval by both the State and City Council.

Copies of the complete financial statements of the City for the current Fiscal Year are available at http://www.comptroller.tn.gov/RA_MA_Financial/Default.aspx

REPORT ON DEBT OBLIGATION
(Pursuant to Tennessee Code Annotated Section 9-21-151)

1. Public Entity:

Name City of Oak Ridge, TN

Address City Mayor
P. O. Box 1
Oak Ridge, Tennessee 37831-0001

2. Debt Obligation:

a. Bond
 b. CON
 c. BAN
 d. GAN
 e. TRAN
 f. CRAN
 g. Capital Lease
 h. Loan Agreement

Note: Enclose a copy of the executed NOTE FORM if applicable.

5. Face Amount of Debt Obligation: \$23,205,000.00

Premium/Discount: \$608,520.95

6. Type of Sale:

a. Competitive Public Sale
 b. Informal Bid
 c. Negotiated Sale
 d. Loan Program

3. Security For Debt Obligation:

a. General Obligation
 b. General Obligation+Revenue+Tax
 c. Revenue
 d. TIF
 e. Annual Appropriations

7. Tax Status:

a. Tax Exempt
 b. Tax Exempt - Bank Qualified
 c. Taxable

8. Dated Date: August 15, 2013

9. Issue Date (Closing Date): August 15, 2013

4. Purpose of Issue:

a. General Government
 b. Education
 c. Highways and Streets
 d. Public Safety
 e. Solid Waste Disposal
 f. Industrial Park
 g. Manufacturing Facilities
 h. Health Facilities
 i. Airports
 j. Utilities
 i. Water 2.54%
 ii. Sewer 12.93%
 iii. Electric
 iv. Gas
 k. Refunding or Renewal 84.53%
 l. Other _____
specify

10. Ratings:

a. Moody's _____
b. Standard & Poor's AA
c. Fitch _____
d. Unrated _____

11. Interest Cost:

3.7145492% a. TIC
 b. NIC
 c. Variable: Index ___ plus ___ bps
 d. Other

12. Recurring Costs:

a. Remarketing Agent (bps) _____
b. Liquidity (bps) _____
c. Credit Enhancements (bps) _____

13. Maturity Dates, Amounts and Interest Rates

| Year | Amount | Interest Rate | Year | Amount | Interest Rate |
|------|-------------|---------------|------|--------|---------------|
| 2014 | \$1,600,000 | 2.000% | | | |
| 2015 | \$2,265,000 | 2.000% | | | |
| 2016 | \$2,080,000 | 2.000% | | | |
| 2017 | \$235,000 | 2.000% | | | |
| 2018 | \$245,000 | 3.000% | | | |
| 2019 | \$255,000 | 3.000% | | | |
| 2020 | \$665,000 | 3.000% | | | |
| 2021 | \$1,025,000 | 3.000% | | | |
| 2022 | \$1,055,000 | 4.000% | | | |
| 2023 | \$375,000 | 4.000% | | | |
| 2024 | \$285,000 | 3.000% | | | |
| 2025 | \$290,000 | 3.000% | | | |
| 2026 | \$305,000 | 3.250% | | | |
| 2027 | \$215,000 | 4.000% | | | |
| 2028 | \$825,000 | 3.500% | | | |
| 2031 | \$5,615,000 | 4.000% | | | |
| 2034 | \$5,870,000 | 4.375% | | | |
| | | | | | |
| | | | | | |
| | | | | | |

If additional space is needed, attach additional sheet.

Weighted Average Maturity 11.844 years

14. Repayment Schedule

| Year | This Issue | | Total Debt Outstanding | |
|------|-------------------------|---------|-------------------------|---------|
| | Cum. Principal Redeemed | % Total | Cum. Principal Redeemed | % Total |
| 1 | \$160,000.00 | 0.69% | \$6,934,702.00 | 4.15% |
| 5 | \$6,425,000.00 | 27.69% | \$35,106,505.00 | 20.98% |
| 10 | \$9,800,000.00 | 42.23% | \$75,871,779.00 | 45.35% |
| 15 | \$11,720,000.00 | 50.51% | \$32,183,140.00 | 19.24% |
| 20 | \$21,400,000.00 | 92.22% | \$144,118,849.00 | 86.15% |
| 25 | \$23,205,000.00 | 100.00% | \$160,796,012.00 | 96.11% |
| 30 | | | \$167,296,012.00 | 100.00% |
| 35 | | | | |
| 40 | | | | |

15. Itemized Description of the Cost of Issuance

(Round to Nearest Dollar)

| | | Name of Firm |
|---|------------------|---|
| a. Financial Advisor Fees* | \$90,000 | Cumberland Securities Company, Inc |
| b. Legal Fees: | | |
| i. Bond Counsel | \$27,000 | Bass, Berry & Sims PLC |
| ii. Issuer's Counsel | | |
| iii. Trustee's Counsel | | |
| _____ | | |
| _____ | | |
| c. Paying Agent Fees and Registration Fees | \$750 | Regions Bank |
| d. Trustee Fees | | |
| e. Remarking Agent Fees | | |
| f. Liquidity Fees | | |
| g. Rating Agency Fees | \$16,000 | Standard & Poor's |
| h. Credit Enhancement Fees | | |
| i. Underwriter's Discount 0.837% | \$194,315 | Robert W. Baird & Co. |
| i. Take Down | | |
| ii. Management Fee | | |
| iii. Risk Premium | | |
| iv. Underwriter's Counsel | | |
| v. Other Expenses | | |
| j. Printing and Advertising Fees | \$6,400 | The Oak Ridger, Print Shop, i-Deal, CUSIP |
| k. Issuer Fees | | |
| l. Real Estate Fees | | |
| m. Bank Closing Costs | | |
| n. Other Costs | \$12,083 | |
| | <u>\$346,548</u> | structuring, postage, doc product, travel, etc. |
| Total Costs | | |

*If other costs are included, please itemize

Note: Enclose a copy of the DISCLOSURE DOCUMENT/OFFICIAL STATEMENT if applicable.

16. Description of Continuing Disclosure Obligations

(Use additional Pages if necessary)

Individual Responsible for Completion:

Dissemination Agent - Cumberland Securities

Date Annual Disclosure is due:

By June 30 of each year

By June 30 of each year, the Annual Report (and audited financial statements if filed separately) and any notices will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org. See "Miscellaneous - Continuing Disclosure" in the Final Official Statement filed with this form for a description of the City's Disclosure Obligation.

17. Description of Compliance with Written Debt Management Policy:

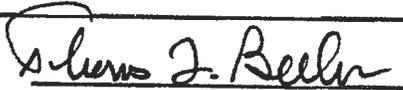
(Use additional pages if necessary)

The City Council of Oak Ridge, TN adopted a Debt Management Policy on November 14, 2011, and the Policy has been filed with the State in accordance with the requirements of the State of Tennessee regarding the adoption of a formal debt management policy. The Bonds comply with the Debt Management Policy.

18. (If any) Description of Derivative and Compliance with Written Derivative Management Policy:

(Use additional pages if necessary)

19



Authorized Representative

City Mayor

Title

08/15/13

Date

tbechan@oakridgetn.gov

Email

Joseph K. Ayres

Preparer

President

Title

Cumberland Securities Company, Inc.

Firm

08/15/13

Date

joe.ayres@cumberlandsecurities.com

Email

20

Submitted to the Governing Body on 09/09/13 and presented at its public meeting held on 09/09/13

COPY TO: Director - Office of State and Local Finance, 505 Deaderick Street, Suite 1600,
James K. Polk State Office Building, Nashville TN 37243-1402

CONSENT AGENDA

**MINUTES OF THE
OAK RIDGE CITY COUNCIL MEETING**

August 12, 2013

The regular meeting of the City Council of the City of Oak Ridge, Tennessee convened at 7:00 p.m. on August 12, 2013, in the Courtroom of the Municipal Building with Mayor Thomas L. Beehan presiding.

INVOCATION

The Invocation was delivered by Pastor Robert May, Oak Ridge Family Bible Church.

PLEDGE OF ALLEGIANCE

Mr. Len Hart led the Pledge of Allegiance to the Flag of the United States of America.

ROLL CALL

Upon roll call the following councilmembers were present: Councilmember Trina Baughn; Mayor Thomas L. Beehan; Councilmember Anne Garcia Garland; Councilmember L. Charles Hensley; Councilmember Charles J. Hope, Jr.; Mayor Pro Tem D. Jane Miller; and Councilmember David N. Mosby.

Also present were Mark S. Watson, City Manager; Janice E. McGinnis, Finance Director; Kenneth R. Krushenski, City Attorney; and Diana R. Stanley, City Clerk.

Agenda Amendment

Councilmember Hensley moved, seconded by Councilmember Hope to amend the agenda to include the Report on Debt Obligations Forms—CT 0253—for the City's two (2) State Revolving Fund Loans under "Special Reports," as well as add the "Wildcat Day" Proclamation to the Consent Agenda for approval as recommended by City Staff. The motion was approved by unanimous voice vote with Councilmembers Baughn, Garcia Garland, Hensley, Hope, Mosby, Mayor Pro Tem Miller, and Mayor Beehan voting "Aye."

APPEARANCE OF CITIZENS

Ms. Kay Williamson, 420 Jefferson Avenue, discussed the possibility of a program to require that animals in the City of Oak Ridge be spade or neutered, or be fined for noncompliance to better assist with the abandonment of animals at the Animal Shelter.

Mr. Johnny Mathis, 221 Loggers Lane, Clinton, remarked about recent incident involving himself and the Oak Ridge Police Department.

Mrs. Casey Mathis, 221 Loggers Lane, Clinton, described her past experiences with the police force in Atlanta, Georgia and noted a situation that occurred between her family and the Oak Ridge Police Department.

Mr. Don Bell, 100 Panama Road, expressed his positive comments about the revitalization of Jackson Square, the Alexander Inn, and other notable developments happening in the community.

Mr. Aditya Savara, 109 Trenton Drive, requested further information about the expenditures of the library and asked the City Council to request such information regarding the library's services with a reduction that does not reduce its operation.

Mr. Martin McBride, 954 West Outer Drive, stated that the potential with the Oak Ridge Mall presents a good opportunity to serve other economic developments in the community and noted statistics related to Oak Ridge residency and Department of Energy employees.

PROCLAMATIONS AND PUBLIC RECOGNITIONS

(NONE)

SPECIAL REPORTS

City Attorney Evaluation Committee Chair Anne Garcia Garland

Resolution No. 08-69-2013

A resolution to amend the City Attorney's Employment Agreement to provide for an equivalent one percent (1%) salary increase retroactive to March 3, 2013.

Committee Chair Garcia Garland provided an overview of the City Attorney Evaluation Committee's recommendation which was a 1% salary increase commensurate to that received by all of the city employees retroactive to the effective date of the City Attorney's contract with no further contract extensions given the current term of his agreement.

Councilmember Baughn moved, seconded by Councilmember Hope to approve the resolution. The motion was approved by unanimous voice vote with Councilmembers Baughn, Garcia Garland, Hensley, Hope, Mosby, Mayor Pro Tem Miller, and Mayor Beehan voting "Aye."

Presentation of State Forms CT-0253 Report on Debt Obligation for the 2013 State Revolving Fund Loans 324 and 325

Finance Director Janice McGinnis reviewed the contents of the forms, noting the interest rates, debt issued, and amortization of the loans while responding to questions and comments of the City Council. Ms. McGinnis noted that a presentation at a public meeting was part of a new requirement from the State of Tennessee Comptroller's Office when a city issues debt and that the item was presented for informational and discussion purposes of City Council.

CONSENT AGENDA

Councilmember Hensley requested that the Proclamation paying tribute to Dr. Liane B. Russell in celebration of her 90th birthday be removed from the Consent Agenda.

Mayor Pro Tem Miller moved, seconded by Councilmember Baughn to approve the remainder of the Consent Agenda. The motion was approved by unanimous voice vote with Councilmembers Baughn, Garcia Garland, Hensley, Hope, Mosby, Mayor Pro Tem Miller, and Mayor Beehan voting "Aye," thereby:

- Approving the July 8, 2013 City Council meeting minutes.
- Adopting **Resolution No. 08-70-2013** authorizing the Mayor to execute on behalf of the City of Oak Ridge a Certificate of Good Moral Character for Michael Marion Marsh, Elks Lodge No. 1684.
- Adopting **Resolution No. 08-71-2013** granting a renewal permit to Scott E. Garriott to engage in the retail sale of alcoholic beverages for one year; waiving the residency requirement for the nonresident applicant; and authorizing the Mayor to sign said permit on behalf of the City.
- Adopting **Resolution No. 08-72-2013** authorizing the Mayor to sign and issue on behalf of the City of Oak Ridge a Certificate of Compliance for Scott E. Garriott to engage in the retail sale of alcoholic beverages at Oak Ridge Package Store, 971 Oak Ridge Turnpike.
- Adopting **Resolution No. 08-73-2013** approving a termination of Lease Agreement with

Learning Ally (formerly Recording for the Blind and Dyslexic) to terminate the existing Lease Agreement with the City of Oak Ridge for 205 Badger Road.

- Adopting **Resolution No. 08-74-2013** opposing a reduction or elimination of the tax exemption on municipal bond interest, urging the Tennessee Congressional Delegation to strongly oppose a reduction or elimination of the tax exemption on municipal bond interest, and urging the Tennessee Delegation to the United States House of Representatives, particularly Congressman Chuck Fleischmann, to support House Resolution 112 celebrating the history of municipal bonds.
- Adoption a proclamation declaring August 24, 2013 as **"Wildcat Day."**

Item Removed from the Consent Agenda

Adoption of a Proclamation paying tribute to Dr. Liane B. Russell in celebration of her 90th birthday.

Mayor Pro Tem Miller moved, seconded by Councilmember Hensley to adopt the proclamation.

Mr. Jimmy Groton, 87 Outer Drive and President of the Tennessee Citizens for Wilderness Planning, expressed his admiration for Dr. Russell, as well as noted that a ribbon cutting for informational kiosks would be featured on August 17, 2013 at the Cedar Barrens.

The proclamation was approved by unanimous voice vote with Councilmembers Baughn, Garcia Garland, Hensley, Hope, Mosby, Mayor Pro Tem Miller, and Mayor Beehan voting "Aye."

Amended Agenda- "Wildcat Day" Proclamation

Mr. Len Hart, President of the Oak Ridge High School Quarterback Club, reviewed the charter of the Quarterback Club and announced that a community-wide pep rally would take place on August 24, 2013 to celebrate the football season in Oak Ridge.

RESOLUTIONS

Resolution No. 08-75-2013

A RESOLUTION AWARDING A CONTRACT (COR 13-06) TO HURST EXCAVATING, LLC, KNOXVILLE, TENNESSEE, FOR THE REHABILITATION OF PORTIONS OF THE WASTEWATER COLLECTION AND TRANSPORTATION SYSTEM AS REQUIRED FOR COMPLIANCE WITH THE U.S. ENVIRONMENTAL PROTECTION AGENCY ADMINISTRATIVE ORDER, SAID CONTRACT IN THE ESTIMATED AMOUNT OF \$3,334,437.50.

Mayor Pro Tem Miller moved, seconded by Councilmember Hensley that the resolution be adopted.

Following a brief introduction by the City Manager, the resolution was approved by voice vote with Councilmembers Garcia Garland, Hensley, Hope, Mosby, Mayor Pro Tem Miller, and Mayor Beehan voting "Aye," and Councilmember Baughn voting "Nay."

Resolution No. 08-76-2013

A RESOLUTION AUTHORIZING A DEMAND-RESPONSIVE TRANSIT SYSTEM MANAGEMENT CONTRACT BETWEEN THE CITY AND THE EAST TENNESSEE HUMAN RESOURCE AGENCY, INC., EFFECTIVE NOVEMBER 1, 2013, CONTINGENT UPON THE CITY'S RECEIPT OF GRANT FUNDING FROM THE TENNESSEE DEPARTMENT OF TRANSPORTATION FOR PARTIAL FUNDING OF THE CITY'S OPERATING EXPENSES FOR THE TRANSIT PROGRAM, AND TO INCREASE THE GENERAL PUBLIC ONE-WAY FARE FROM \$1.50 TO \$2.00 EFFECTIVE WITH THE NEW CONTRACT.

Mayor Pro Tem Miller moved, seconded by Councilmember Hope that the resolution be adopted.

Community Development Specialist Athanasia Senecal-Lewis and the City Manager responded to inquires of City Council regarding the rules of service, transit schedule, and the future of the transit program.

Mr. Mike Patterson, East Tennessee Human Resource Agency (ETHRA) employee, provided information regarding the services and the publication of this information, as well as contact information for the agency.

Ms. Kay Williamson, 420 Jefferson Avenue, requested that City Council learn more about the services of ETHRA and its processes.

The resolution was approved by voice vote with Councilmembers Baughn, Garcia Garland, Hope, Mosby, Mayor Pro Tem Miller, and Mayor Beehan voting "Aye," and Councilmember Hensley abstaining.

Resolution No. 08-77-2013

A RESOLUTION AUTHORIZING THE CITY TO PARTICIPATE IN THE U.S. DEPARTMENT OF ENERGY, ELECTRIC POWER RESEARCH AGENCY, AND TENNESSEE VALLEY AUTHORITY JOINT PROGRAM WHICH WILL RESULT IN THE ACQUISITION OF A PLUG-IN HYBRID BUCKET AND CHARGING STATIONS UTILIZING THE CITY'S BIDDING REQUIREMENTS AND WAIVING COMPETITIVE BIDDING FOR THE ACQUISITION OF A HYBRID PICKUP TRUCK THROUGH VIA MOTORS.

Mayor Pro Tem Miller moved, seconded by Councilmember Baughn that the resolution be adopted.

Electric Department Director Jack Suggs discussed the City's cost for participating in the program and the value of the equipment that the City will receive, as well as outlined the intended service use of the hybrid vehicles.

Following additional discussions by Mr. Suggs and City Council, the resolution was approved unanimously by board vote with Councilmembers Baughn, Garcia Garland, Hensley, Hope, Mosby, Mayor Pro Tem Miller, and Mayor Beehan voting "Aye."

Resolution No. 08-78-2013

A RESOLUTION APPROVING A PROFESSIONAL SERVICES AGREEMENT WITH BILL NOLAN AND ASSOCIATES, OAK RIDGE, TENNESSEE, FOR THE PROVISION OF CONSULTING SERVICES IN THE AREA OF RELATIONS WITH THE TENNESSEE GENERAL ASSEMBLY AND THE EXECUTIVE BRANCH OF THE STATE OF TENNESSEE FOR AGREED UPON PRIORITIES FOR THE CITY IN THE AMOUNT OF \$40,000.00 WITH AN ALLOWANCE OF \$5,000.00 FOR EXPENSES.

Councilmember Hope moved, seconded by Councilmember Hensley that the resolution be adopted.

Councilmember Hensley expressed his concern about supporting a reduction in compensation based on the level of services that the City has been receiving and wanted to ensure that Mr. Nolan was amply compensated for his services. Councilmember Hensley moved to amend the resolution by reinstating Bill Nolan's contract by \$10,000.00. The motion was seconded by Councilmember Garcia Garland.

City Council discussed Councilmember Hensley's motion and the agreement parameters that the City has with Mr. Nolan.

Mr. Bill Nolan expressed his appreciation for the opportunity to serve as the City's lobbyist and briefly outlined that the role that he played to the City during his service.

The amendment passed by board vote with Councilmembers Garcia Garland, Hensley, Mayor Pro Tem Miller, and Mayor Beehan voting "Aye," and Councilmembers Baughn, Hope, and Mosby voting "Nay."

The resolution, as amended, was approved by unanimous voice vote with Councilmembers Baughn, Garcia Garland, Hensley, Hope, Mosby, Mayor Pro Tem Miller, and Mayor Beehan voting "Aye."

Resolution No. 08-79-2013

A RESOLUTION TO APPROVE AN AGREEMENT WITH RAY EVANS FOR ECONOMIC DEVELOPMENT SERVICES FOR FISCAL YEAR 2014 IN THE AMOUNT OF \$42,000.00.

Councilmember Hensley moved, seconded by Mayor Pro Tem Miller that the resolution be adopted.

Following brief discussions, the resolution was approved by unanimous voice vote with Councilmembers Baughn, Garcia Garland, Hensley, Hope, Mosby, Mayor Pro Tem Miller, and Mayor Beehan voting "Aye."

PUBLIC HEARINGS AND FIRST READING OF ORDINANCES

Public Hearing and First Reading of an Ordinance

AN ORDINANCE TO AMEND ORDINANCE NO. 2, TITLED "THE ZONING ORDINANCE OF THE CITY OF OAK RIDGE, TENNESSEE," ARTICLE XIV, TITLED "SIGN REGULATIONS," TO ADD A NEW SECTION 14.21, TITLED "MOVING COPY (ELECTRONIC MESSAGE CENTER) SIGNS," FOR THE PURPOSE OF ESTABLISHING CRITERIA FOR OPERATION OF MOVING COPY (ELECTRONIC MESSAGE CENTER) SIGNS.

Councilmember Hope moved, seconded by Councilmember Hensley that the ordinance be approved on first reading.

The Mayor opened the floor to receive comments for the public hearing. The following residents provided comments:

Mr. Parker Hardy, President of the Oak Ridge Chamber of Commerce, remarked that he was pleased with the progress made toward the amendment of the sign regulations. Mr. Hardy noted two concerns regarding the current amendment: (1) that one of the regulations require a letter from the manufacturer/installer regarding luminosity and time frame intensity, as opposed to just a letter; and (2) that animation or video is not allowed as part of the advertising message.

Mr. Martin McBride, 954 West Outer Drive, commented that digital signs have two positive aspects: services provided to the retailers during hard economic times and that it could be a mechanism to reach out to the Department of Energy work force about Oak Ridge. Mr. McBride concluded by indicating his opinion that the sign ordinance was too broad.

Mr. Kimberley Fisher, 103 Case Lane, inquired about studies available on traffic safety related to sign animation and wished to have a medium regarding possible animation in relation to public safety.

Mr. Terry Domm, Chairman of the Oak Ridge Municipal Planning Commission, discussed the three considerations of the Planning Commission when developing the amendment: travel/distraction component; the need of the business, and the residential needs. Mr. Domm stressed that the ordinance needs to be both measurable and enforceable and movable copy was difficult to achieve both.

Mr. Peter Scheffler, 117 Brentwood Drive, inquired about a presentation regarding luminosity examples.

Councilmember Hensley moved, seconded by Councilmember Hope that the public hearing be closed. The motion carried by unanimous voice vote with Councilmembers Baughn, Garcia Garland, Hensley, Hope, Mosby, Mayor Pro Tem Miller, and Mayor Beehan voting "Aye."

Community Development Director Kathryn Baldwin discussed, at length, inquires of City Council regarding

the definition of animation and a means to measure such indicating that staff nor the Planning Commission, upon research, had been able to determine a way to measure animation and, as such, animation would not be allowed because of its lack of quantitative measurement.

Mayor Pro Tem Miller moved to amend the ordinance presented by removing the last sentence in Section 14.21, Item 1 "animated video or continuous scrolling of messages is prohibited." The motion was seconded by Councilmember Baughn.

Upon request from Councilmember Mosby, Ms. Baldwin indicated that the statement requested to be removed was a critical component of the ordinance and greatly considered with the Planning Commission. Following additional discussions amongst City Council regarding sign animation, the motion to amend the ordinance failed by board vote with Councilmembers Baughn, Hope, and Mayor Pro Tem Miller voting "Aye," and Councilmembers Hensley, Garcia Garland, Mosby, and Mayor Beehan voting "Nay."

The ordinance, as presented, was approved on first reading by board vote with Councilmembers Hensley, Garcia Garland, Mosby, and Mayor Beehan voting "Aye," and Councilmembers Baughn, Hope, and Mayor Pro Tem Miller voting "Nay."

First Reading of Ordinances

AN ORDINANCE TO AMEND TITLE 13, TITLED "PROPERTY MAINTENANCE REGULATIONS," OF THE CODE OF ORDINANCES, CITY OF OAK RIDGE, TENNESSEE," BY CREATING A NEW CHAPTER 6, TITLED "OAK RIDGE LAND BANK CORPORATION," TO CREATE A LAND BANK CORPORATION IN ACCORDANCE WITH TENNESSEE CODE ANNOTATED §13-30-101 ET SEQ.

Councilmember Hope moved, seconded by Mayor Pro Tem Miller that the ordinance be approved on first reading.

Following discussions and comments from the City Council regarding the Land Bank, Councilmember Garcia Garland moved to amend Section 13-610 "Priorities for the Use of Real Property in the Land Bank" to amend the second sentence to read "City Council will establish such priorities by resolution prior to the conveyance of any properties from or to the Land Bank." The motion was seconded by Councilmember Baughn.

Councilmember Garcia Garland withdrew her motion upon Councilmember Hensley's explanation that the City would establish the enabling legislation of the Land Bank which can contain the details and goals of the City Council upon forming the corporation.

Ms. Pat Fain, 926 West Outer Drive, commented that City Council has not heard comments from the public regarding the Land Bank policies.

Ms. Ellen Smith, 116 Morningside Drive, remarked that the ordinance would set the framework for the Land Bank and that the ordinance was not the right avenue to consider the policy of the Land Bank. Additionally, she commented that the Council may consider asking the Land Bank to work closely with citizens to help the actives of the neighborhoods.

Mr. Joe Lee, 99 East Pasadena Road, voiced his support for the Land Bank Program and indicated his wishes for the City to begin to move forward with the program to help with housing.

The ordinance, as presented, was approved on first reading by board vote with Councilmembers Garcia Garland, Hensley, Hope, Mosby, Mayor Pro Tem Miller, and Mayor Beehan voting "Aye," and Councilmember Baughn voting "Nay."

AN ORDINANCE TO AMEND TITLE 13, TITLED "PROPERTY MAINTENANCE REGULATIONS," CHAPTER 5, TITLED "RESIDENTIAL RENTAL DWELLING UNIT INSPECTIONS," BY DELETING

SUBSECTION 13-503(3), TITLED "DIRECTOR," IN ITS ENTIRETY AND SUBSTITUTING THEREFOR A NEW SUBSECTION 13-503(3), TITLED "CITY MANAGER"; BY DELETING SUBSECTION 13-504(2)(A), TITLED "HIGHLAND VIEW REDEVELOPMENT AREA," AND SUBSTITUTING THEREFOR A NEW SUBSECTION 13-504(2)(A), TITLED "MANHATTAN DISTRICT OVERLAY"; AND TO REPLACE ALL REFERENCES WITHIN THE CHAPTER TO "DIRECTOR" TO NOW BE "CITY MANAGER," WITH ALL CHANGES FOR THE PURPOSE OF EXPANDING THE RESIDENTIAL RENTAL INSPECTION DISTRICT AND OTHER HOUSEKEEPING UPDATES.

Mayor Pro Tem Miller moved, seconded by Councilmember Hensley to approve the ordinance on first reading.

The City Manager provided an overview of the program including the program's intent, the inspection process, and the community benefits of the rental inspection. The City Manager also responded to inquiries of City Council.

Mr. Kimberley Fisher, 103 Case Lane, stated that City Council consider planning for a five-year strategic plan for the program. Ms. Fisher expressed her support for the program, but stated she had some concerns about the implementation of the inspection process from its original creation in 2007.

Mr. Joe Lee, 99 East Pasadena Road, commented that housing is a prominent issue in Oak Ridge and stated that the program would be a great tool to help improve housing.

The ordinance, as presented, was approved by unanimous voice vote with Councilmembers Baughn, Garcia Garland, Hensley, Hope, Mosby, Mayor Pro Tem Miller, and Mayor Beehan voting "Aye."

FINAL ADOPTION OF ORDINANCES

(NONE)

ELECTIONS/APPOINTMENTS, ANNOUNCEMENTS AND SCHEDULING

Elections/Appointments

Announcements

Scheduling

COUNCIL REQUESTS FOR NEW BUSINESS ITEMS OR FUTURE BRIEFINGS

Councilmember Baughn expressed her appreciation for the completion of the Memorandum of Understanding (MOU) between the City and the Oak Ridge School and asked that the City Council consider a quarterly joint meeting with the Board of Education.

SUMMARY OF CURRENT EVENTS

CITY MANAGER'S REPORT

The City Manager reported that a special-called meeting would be scheduled on the same day as the August Work Session for two (2) business items. Additionally, Mr. Watson, informed City Council that he would not be present for the September Work Session, but would have the Government and Information Services Director present the City's Legislative Agenda. Lastly, the City Manager announced that the City had been a recipient of a scholarship for a team to attend Virginia Tech ISO program for environmental management.

CITY ATTORNEY'S REPORT

(NONE)

ADJOURNMENT

The meeting adjourned at 10:40 p.m.

Diana R. Stanley, City Clerk
CITY OF OAK RIDGE, TENNESSEE

**MINUTES OF THE
OAK RIDGE CITY COUNCIL
SPECIAL MEETING**

August 26, 2013

The special meeting of the City Council of the City of Oak Ridge, Tennessee convened at 8:00 p.m. on August 26, 2013 in the Multipurpose Room of the Central Services Complex with Mayor Thomas L. Beehan.

The Mayor requested that Councilmember David N. Mosby lead the Invocation, and requested that a visiting boy scout lead the Pledge of Allegiance of the Flag to the United States of America.

The City Clerk called the roll with the following councilmembers present: Councilmember Trina Baughn; Mayor Thomas L. Beehan; Councilmember Anne Garcia Garland; Councilmember L. Charles Hensley; Councilmember Charles J. Hope, Jr.; Mayor Pro Tem D. Jane Miller; and Councilmember David N. Mosby.

Also present were Mark S. Watson, City Manager; Kenneth R. Krushenski, City Attorney; and Diana R. Stanley, City Clerk.

RESOLUTIONS

Resolution No. 08-80-2013

A RESOLUTION TO AUTHORIZE THE USE OF FUNDS FROM THE SPECIAL PROGRAMS FUND FOR TWO PEDESTRIAN SAFETY IMPROVEMENT PROJECTS; SPECIFICALLY \$370,000.00 FOR IMPROVEMENTS AT VARIOUS OAK RIDGE TURNPIKE INTERSECTIONS AND \$215,000.00 FOR ACCESSIBILITY IMPROVEMENTS AND PEDESTRIAN ACCESS FOR THE JACKSON SQUARE PARKING LOT (FARMER'S MARKET SITE).

Councilmember Hensley moved, seconded by Councilmember Hope, that the resolution be adopted.

Following brief discussions regarding the use of the Special Program Fund monies, the resolution was approved with Councilmembers Baughn, Hensley, Hope, Mosby, Mayor Pro Tem Miller, and Mayor Beehan voting "Aye" by show of hands, and Councilmember Garcia Garland indicating "Nay" by show of hand.

Ms. Robin Biloski, 33 Palisades Parkway, employee of the Emory Valley Center and Anderson County Commissioner, discussed the pedestrian crossing situation at the Emory Valley Center campus that stretches across two locations of Emory Valley Road. Ms. Biloski requested that City Council consider including the flashing light for the North and/or South end of the Emory Valley Road as a priority project as funded by the Special Programs Fund.

Procedural, the City Attorney recommended that any action for this request take place at the September City Council meeting. The Mayor requested that the City Manager consider the request with no opposition expressed by the councilmembers.

Resolution No. 08-81-2013

A RESOLUTION APPROVING A CONTRACT BETWEEN THE CITY AND THE OAK RIDGE CHAMBER OF COMMERCE FOR ECONOMIC DEVELOPMENT ACTIVITIES IN AN AMOUNT NOT TO EXCEED \$175,000.00 FOR FY2014.

Councilmember Hensley moved, seconded by Councilmember Hope, that the resolution be adopted.

Following brief discussions regarding the indemnification clause of the contract, Councilmember Garcia Garland moved to amend Section 3 titled "Initiative's Steering Committee" to change the language from the Mayor or the Mayor's designee to a Council designee appointed by the Council. The motion was seconded by Councilmember Baughn. City Council discussed, in detail, consideration of the appointing

process of the Initiative's Steering Committee. Mr. Parker Harder, President of the Oak Ridge Chamber of Commerce, responded to an inquiry of Councilmember Baughn related to the membership of the Chamber's Board of Directors.

The amendment proposed by Councilmember Garcia Garland failed with Councilmembers Baugh, Garcia Garland, and Mosby indicating "Aye" by show of hands and Councilmember Hensley, Mayor Pro Tem Miller, and Mayor Beehan indicating "Nay" by show of hands and Councilmember Hope abstaining.

The resolution, as presented, was approved with Councilmembers Hensley, Mosby, Mayor Pro Tem Miller, and Mayor Beehan indicating "Aye" by show of hands and Councilmembers Baughn and Garcia Garland indicating "Nay" by similar method. Councilmember Hope abstained.

ADJOURNMENT

The meeting adjourned at 8:45 p.m.

Diana R. Stanley, City Clerk
CITY OF OAK RIDGE, TENNESSEE

**OAK RIDGE CITY COUNCIL
WORK SESSION MINUTES**

August 26, 2013

The work session of the Oak Ridge City Council convened at 7:00 p.m. on August 26, 2013 in the Multipurpose Room of the Central Services Complex.

Present: Trina Baughn, Councilmember
Tom Beehan, Mayor
Anne Garcia Garland, Councilmember
Charlie Hensley, Councilmember
Chuck Hope, Councilmember
Jane Miller, Mayor Pro Tem
David Mosby, Councilmember

Also Present: Mark Watson, City Manager
Ken Krushenski, City Attorney
Diana Stanley, City Clerk

OVERVIEW OF REQUEST TO ANDERSON COUNTY FOR COOPERATIVE USE OF COUNTY LAND AT THE DANIEL ARTHUR COMPLEX FOR LOCATION OF STORM WATER EQUALIZATION BASIN.

Public Works Director Gary Cinder gave an in-depth presentation regarding the proposed locations of the new equalization basins while responding to questions and comments of City Council.

Lamar Dunn with Lamar Dunn and Associates, LLC also provided some information regarding site locations and build details of the basin.

City Council discussed the Emory Valley location at great length, while stressing alternatives for other basin placements, basin parcel relocation at Emory Valley, camouflage options, as well as design alternatives pertaining to height and depth for the other locations presented.

(The meeting was temporarily recessed so that the City Council could adjourn into their special-called meeting. The Work Session reconvened at 9:00 p.m.)

PRESENTATION OF UTILITY RATE REVIEW BY CHRIS MITCHELL, MANAGEMENT CONSULTANTS, LLC.

Chris Mitchell of Chris Mitchell Management Consultants (CMMC) provided a brief overview of the proposed waste water, water, and electric rate increases that the City would be implementing in the near future, as well as responded to questions of the City Council.

Electric Department Director Jack Suggs responded to inquires of Councilmember Baughn regarding the intent of the electric rate increase which was explained that it was to offset the Tennessee Valley Authority increase, as well as to help with other utility operations.

OVERVIEW ON PURCHASING AND FINANCING OF THREE (3) REPLACEMENT FIRE ENGINES

Oak Ridge Fire Chief Darryl Kerley gave a brief presentation of the new differences and equipment additions which were included in the bid estimates of the three (3) fire trucks. The Fire Chief stressed the importance of equipment and maintenance continuity with purchasing three (3) fire trucks simultaneously.

Additionally, the Fire Chief reviewed the department's usage and contributions to the City's Equipment Replacement Fund and explained that city staff had reviewed several financing options for this persual.

The meeting adjourned at 9:40 p.m.

Diana R. Stanley, City Clerk
CITY OF OAK RIDGE, TENNESSEE

Personnel Memorandum
13-107

August 20, 2013

TO: Mark S. Watson, City Manager
FROM: Cindi G. Gordon, Personnel/Risk Manager
THROUGH: Penelope H. Sissom, Personnel Director *PAS*
SUBJECT: TML RISK MANAGEMENT POOL "DRIVER GRANT" LOSS CONTROL MATCHING GRANT PROGRAM

The TML Risk Management Pool is offering the "Driver Grant" Loss Control Matching Grant for the fiscal year of 2013-14 to all Pool members for purchases or training related to driver safety. The grant will reimburse up to 50% of the cost of the approved item(s) with a maximum reimbursement of \$2000.00 for a city in our Priority Classification.

Monitoring Motor Vehicle Records (MVRs) regularly for all active employees having access to fleet/city vehicles or who drive their own vehicle during the course of work activities can reduce the chance of an accident and enhance the City's risk management profile. The City's due diligence is an important mitigating factor if litigation involving City drivers occurs.

Tennessee Municipal League Loss Control Pool standard is for MVR checks to be conducted for all employees who drive (and volunteers) prior to assignment and AT LEAST every three years after that. The City has conducted MVR checks on all employees at their time of hire. A complete MVR check on all active employees needs to be conducted at this time. This process involves requesting MVR information from the State of Tennessee at a charge \$5.00 per MVR check. Additionally, approximately 80 hours of staff time will be required to review and process these records. We estimate the entire cost of the project at \$3981.00.

The City of Oak Ridge's opportunity for receipt of the \$2000.00 Matching Grant will be increased by early submittal as applications are reviewed on a first come-first served basis.

Staff recommends adoption of the attached resolution.

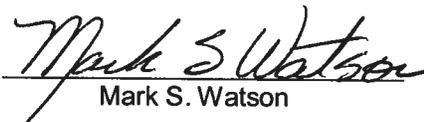


Cindi G. Gordon

Attachment

City Manager's Comments:

I have reviewed the above issue and recommend Council action as outlined in this document.



Mark S. Watson

8/30/13
Date

RESOLUTION

A RESOLUTION AUTHORIZING THE CITY TO SUBMIT A GRANT APPLICATION TO THE TENNESSEE MUNICIPAL LEAGUE RISK MANAGEMENT AND ACCEPT SAID GRANT IF APPROVED.

WHEREAS, grant monies are available through the Tennessee Municipal League Risk Management Pool for expenditures related to employee safe driving practices; and

WHEREAS, the City meets all of the grant requirements; and

WHEREAS, said grant requires a local match of \$2000.00; and

WHEREAS, the City Manager recommends that the City submit a grant application to the Tennessee Municipal League Risk Management Pool for a grant in the amount of \$2000.00 to be used for completion of a Motor Vehicle Record (MVR) check for all active City employees to maintain compliance with the standard set by the Tennessee Municipal League Risk Management Pool and to minimize liability through due diligence.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF OAK RIDGE, TENNESSEE:

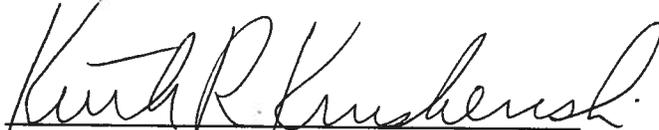
That the recommendation of the City Manager is approved and the City is hereby authorized to submit a grant application to the Tennessee Municipal League Risk Management Pool for a grant in the amount of \$2000.00.

BE IT FURTHER RESOLVED that the City Manager is hereby authorized to execute the appropriate legal instruments to accomplish the same.

BE IT FURTHER RESOLVED that the City Manager is hereby authorized to accept said grant on behalf of the City if the application is approved.

This the 9th day of September 2013.

APPROVED AS TO FORM AND LEGALITY:



Kenneth R. Krushenski, City Attorney

Thomas L. Beehan, Mayor

Diana R. Stanley, City Clerk

RECREATION & PARKS MEMORANDUM

13-05

DATE: August 21, 2013
TO: Mark S. Watson, City Manager
FROM: Josh Collins, Recreation & Parks Director
SUBJECT: DOG PARK FENCING

Introduction

An item for City Council's consideration is a resolution awarding a contract to Loudon County Fence, LLC in the estimated amount of \$27,767.00 for the installation of chain-link fencing for an off-leash dog park at Big Turtle Park.

Funding

Funding for the proposed contract is provided by a grant from Radio Systems Corporation, administered by the Legacy Parks Foundation. The cost of the contract is 100% reimbursable under this grant.

Background

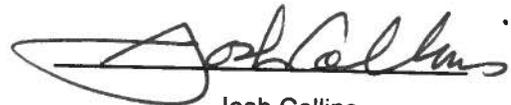
The proposed project envisions the installation of vinyl-coated chain-link fencing around the area designated for the dog park. There will be approximately 1,230 feet of five-foot-tall fence around the perimeter of the park, with 90 feet of four-foot-tall fence subdividing the park into two sections. One section will be for small dogs less than thirty pounds, the other section will be open to dogs of all sizes. The fence will have a continuous top and bottom rail. The bottom rail will discourage dogs from crawling under the fence.

Construction of the dog park is moving steadily forward as major components of the project are bid. An entry archway, sign structure and sidewalk providing ADA accessibility to the dog park are nearly complete. The Public Works Department has extended a water line in the park to serve drinking fountains in each section. The fountains will be ADA compliant and will provide water for dogs and their owners. Shade structures, tree plantings and security lighting are also part of the plan.

Recommendation

Staff recommends approval of the accompanying resolution as submitted.

Attachments



Josh Collins

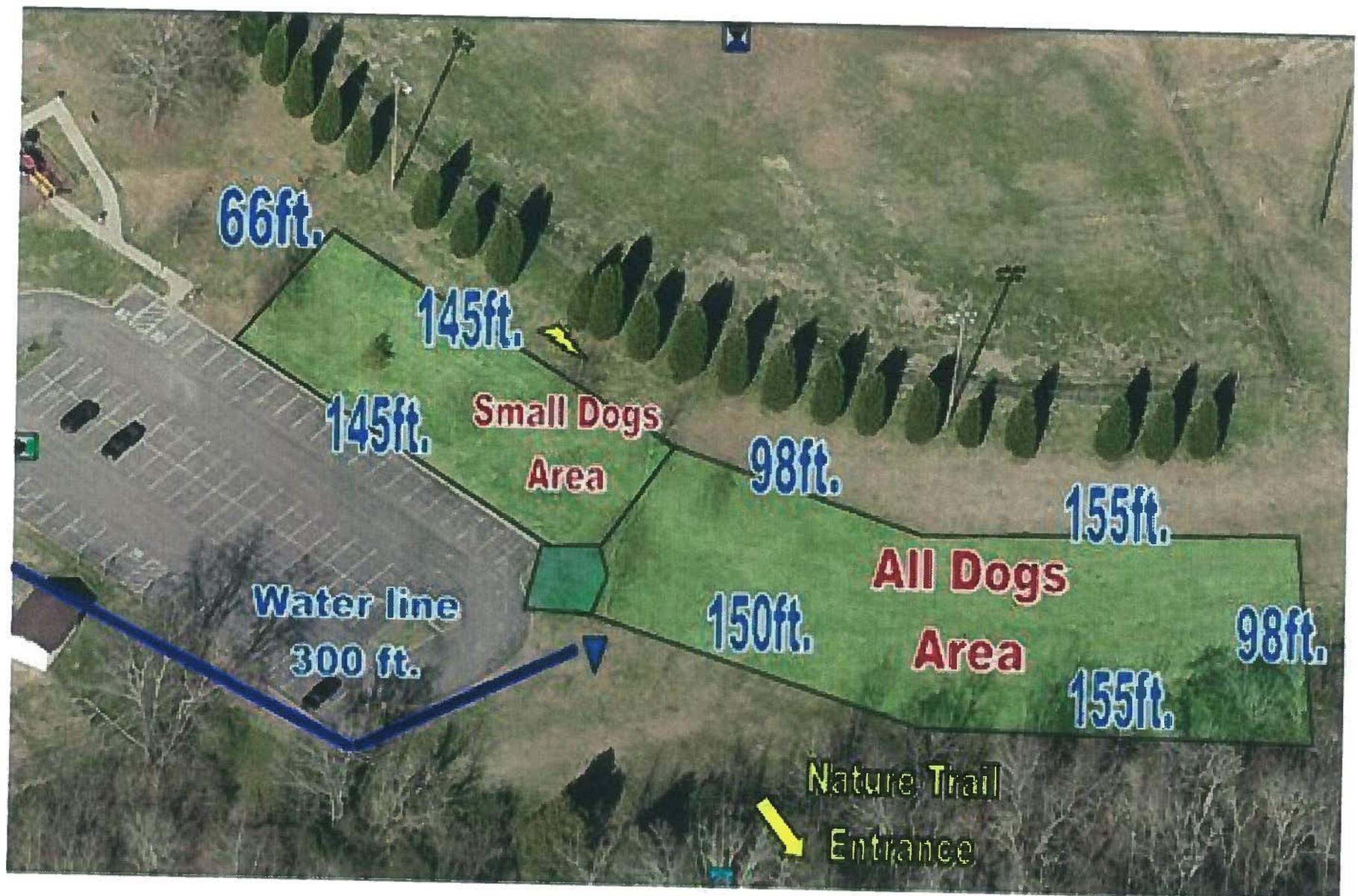
City Manager's Comments:

I have reviewed the above issue and recommend Council action as outlined in this document.


Mark S. Watson

8/30/13
Date

Dog Park: Proposed Layout 2



CITY OF OAK RIDGE, TENNESSEE
Abstract of Bids

CONTRACT FY2014-34

OPENING DATE: August 15, 2013 2:00 P.M.

| FOR --- Big Turtle Dog Park Fencing | | | BIDDER: Loudon County Fence, LLC 5482 Highway 321 North Lenoir City, TN 37771 | | BIDDER: East Tennessee Fence Company 4111 Blazier Road Rockford, TN 37853 | | BIDDER: H-S Whitson Construction Co., Inc. 2669 Byington Solway Road Knoxville, TN 37931 | | BIDDER: | | |
|--|------|------|--|--------------|--|--------------|---|--------------|-----------|-------|--|
| DESCRIPTION | ITEM | UNIT | UNIT COST | TOTAL | UNIT COST | TOTAL | UNIT COST | TOTAL | UNIT COST | TOTAL | |
| FURNISH ALL LABOR, MATERIALS, TOOLS, AND EQUIPMENT NECESSARY TO PERFORM ALL WORK AND SERVICES REQUIRED FOR FENCING AT BIG TURTLE DOG PARK PER THE SPECIFICATIONS PROVIDED BY THE CITY OF OAK RIDGE RECREATION AND PARKS DEPARTMENT | 1 | | | \$ 27,767.00 | | \$ 28,560.00 | | \$ 35,260.00 | | | |
| TOTAL PRICE | | | \$ | 27,767.00 | \$ | 28,560.00 | \$ | 35,260.00 | | | |
| TERMS | | | NET 30 | | NET 30 | | NET 30 | | | | |
| DELIVERY | | | PER CONTRACT | | PER CONTRACT | | PER CONTRACT | | | | |
| F.O.B. | | | JOBSITE | | JOBSITE | | JOBSITE | | | | |
| VIA | | | VENDOR | | VENDOR | | VENDOR | | | | |
| OTHER BIDDERS CONTACTED: Shuck Fence - Shelbyville, KY Cozy Excavation & Contracting - Clinton, TN Riikola Construction Company - Oak Ridge, TN First Place Finish - Oak Ridge, TN Ace Fence Company - McMinnville, TN | | | | | | | BIDS OPENED AND RECORDED BY---  Lyn Majeski Accounting Division Manager | | | | |
| REASON FOR AWARD | | | RECOMMEND AWARD BE MADE TO: | | | | | | | | |
| ONLY BID RECEIVED <input type="checkbox"/> LOW PRICE <input type="checkbox"/> BETTER OR REQUIRED DESIGN <input type="checkbox"/> EARLY DELIVERY <input type="checkbox"/> LOWEST TOTAL COST <input checked="" type="checkbox"/> | | | Loudon County Fence, LLC 5482 Highway 321 North Lenoir City, TN 37771 | | | | | | | | |
| | | | | | | | BIDS REVIEWED BY---  Janice McGinnis Finance Director | | | | |

RESOLUTION

A RESOLUTION AWARDING A CONTRACT TO LOUDON COUNTY FENCE, LLC, LENOIR CITY, TENNESSEE, FOR THE INSTALLATION OF FENCING FOR THE DOG PARK AT BIG TURTLE PARK IN THE ESTIMATED AMOUNT OF \$27,767.00.

WHEREAS, by Resolution 6-41-2012, City Council supported the establishment of a dog park at Big Turtle Park and the application and acceptance of a \$100,000.00 grant from PetSafe®/Radio Systems Corporation for costs associated with the dog park; and

WHEREAS, the City of Oak Ridge has issued an invitation to bid for the furnishing of all labor, tools, materials, equipment and supplies necessary for installation of fencing for the dog park at Big Turtle Park; and

WHEREAS, bids were received and publicly opened on August 15, 2013, with Loudon County Fence, LLC, Lenoir City, submitting the lowest and best bid, which bid the City Manager recommends be accepted.

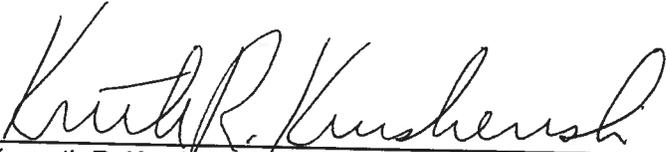
NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF OAK RIDGE, TENNESSEE:

That the recommendation of the City Manager is approved and award is hereby made to Loudon County Fence, LLC, 5482 Highway 321 North, Lenoir City, Tennessee 37771, for the furnishing all labor, tools, materials, equipment and supplies necessary to perform all work and services for the installation of fencing for the dog park at Big Turtle Park; said award in strict accordance FY2014-34, the required specifications, and the bid as publicly opened on August 15, 2013, and in the estimated amount of \$27,767.00.

BE IT FURTHER RESOLVED that the Mayor is hereby authorized to execute the appropriate legal instruments to accomplish the same.

This the 9th day of September 2013.

APPROVED AS TO FORM AND LEGALITY:



Kenneth R. Krushenski, City Attorney

Thomas L. Beehan, Mayor

Diana R. Stanley, City Clerk

**PUBLIC WORKS DEPARTMENT MEMORANDUM
13-23**

DATE: August 21, 2013
TO: Mark S. Watson, City Manager
FROM: Gary M. Cinder, P.E., Director of Public Works

SUBJECT: WATER TREATMENT PLANT ROOF REPLACEMENT

Introduction

An item for City Council's consideration is award of two construction contracts for the replacement of the metal (Contract FY2014-30) and membrane (Contract FY2014-31) roofs at the Water Treatment Plant to Dixie Roofing, Inc., LaFollette, Tennessee, with the metal roof in the estimated amount of \$170,575 and the modified bitumen membrane roof in the estimated amount of \$241,395, for a total estimated amount of \$411,970.

Funding

In accordance with the contract with the Department of Energy for capital maintenance of the Water Treatment Plant, the City's share of the project cost is \$191,566.05 (46.5%) with the DOE project share being \$220,403.95 (53.5%). Funding for the project is available in the FY 2014 Waterworks Fund budget.

Consideration

The plant roof has developed several leaks that are difficult to find and repair due to the stone ballast that was installed on this roof when it was last replaced. No information is available as to the age of the roof systems, but estimates from the architects are the membrane roof is more than 20 years old. It is estimated that the age of the metal roofing is older than the membrane roof. The metal panels were painted prior to the transfer of the plant to the City in 2000 and rust has been discovered in several areas during the inspection of the roof systems.

The new membrane roof will be constructed of material which is capable of supporting the future installation of solar panels without voiding the warranty of the roof system. While a photovoltaic system is not included in this or any proposed project currently, this roof site has been investigated and tested and is a good candidate for locating a solar array, capable of producing approximately 60,900 kWh of electricity annually, if grants or other funding become available.

Recommendation

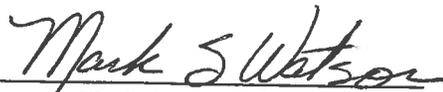
The Water Plant was one of the first buildings constructed in Oak Ridge and is in need of both structural and electrical upgrades. A new roof system must be installed prior to any of these projects taking place. Staff recommends approval of the accompanying resolution.



Gary M. Cinder

City Manager's Comments:

I have reviewed the above issue and recommend Council action as outlined in this document.



Mark S. Watson

8/30/13

Date

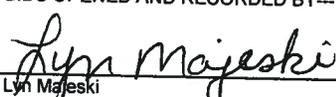
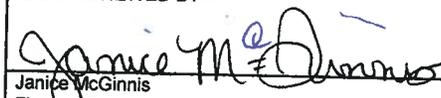
**CITY OF OAK RIDGE, TENNESSEE
Abstract of Bids**

CONTRACT FY2014-30
OPENING DATE: August 15, 2013 2:30 P.M.

| FOR --- Water Treatment Plant Metal Roof Replacement | | BIDDER: Dixie Roofing, Inc. 672 Fox Den Lane LaFollette, TN 37766 | | BIDDER: Eskola, LLC 2418 Morelock Road Morristown, TN 37814 | | BIDDER: | | BIDDER: | |
|---|------|--|---------------|--|---------------|--|-------|-----------|-------|
| DESCRIPTION | ITEM | AVG. COST | TOTAL | AVG. COST | TOTAL | AVG. COST | TOTAL | AVG. COST | TOTAL |
| FURNISH ALL LABOR, MATERIALS, TOOLS, AND EQUIPMENT NECESSARY TO PERFORM ALL WORK AND SERVICES REQUIRED FOR METAL ROOF REPLACEMENT OF THE WATER TREATMENT PLANT PER THE SPECIFICATIONS PROVIDED BY THE CITY OF OAK RIDGE PUBLIC WORKS DEPARTMENT | 1 | | \$ 170,575.00 | | \$ 190,000.00 | | | | |
| TOTAL PRICE | | | \$ 170,575.00 | | \$ 190,000.00 | | | | |
| TERMS | | | Net 30 | | Net 30 | | | | |
| DELIVERY | | | per Contract | | per Contract | | | | |
| F.O.B. | | | Oak Ridge | | Oak Ridge | | | | |
| VIA | | | Best Way | | Best Way | | | | |
| OTHER BIDDERS CONTACTED: | | Tennessee Roofing Corporation - Knoxville, TN | | | | TBM Roofing & Siding - Pembroke, VA | | | |
| | | ATAS International, Inc. - Maryville, TN | | | | | | | |
| | | Metal Roofing Systems, Inc. - Johnson City, TN | | | | | | | |
| | | Berridge Manufacturing Co. - Austell, GA | | | | | | | |
| | | Cornerstone Roofing Services - Knoxville, TN | | | | | | | |
| | | DRI - Irvine, CA | | | | | | | |
| REASON FOR AWARD | | RECOMMEND AWARD BE MADE TO: | | | | | | | |
| ONLY BID RECEIVED <input type="checkbox"/> LOW PRICE <input type="checkbox"/> BETTER OR REQUIRED DESIGN <input type="checkbox"/> EARLY DELIVERY <input type="checkbox"/> LOWEST TOTAL COST <input checked="" type="checkbox"/> | | Dixie Roofing, Inc. 672 Fox Den Lane LaFollette, TN 37766 | | | | | | | |
| | | BIDS OPENED AND RECORDED BY--- | | | | <i>Lyn Majeski</i> Lyril Majeski Accounting Division Manager | | | |
| | | BIDS REVIEWED BY--- | | | | <i>Janice McGinnis</i> Janice McGinnis Finance Director | | | |

**CITY OF OAK RIDGE, TENNESSEE
Abstract of Bids**

CONTRACT FY2014-31
OPENING DATE: August 15, 2013 2:45 P.M.

| FOR --- Water Treatment Plant Modified Bituman Roof Replacement | | BIDDER: Dixie Roofing, Inc. 672 Fox Den Lane LaFollette, TN 37766 | | BIDDER: Tennessee Roofing Corporation P. O. Box 3757 Knoxville, TN 37827 | | BIDDER: Eskola, LLC 2418 Morelock Road Morristown, TN 37814 | | BIDDER: | |
|--|------|--|---|---|---------------|--|---------------|-----------|-------|
| DESCRIPTION | ITEM | AVG. COST | TOTAL | AVG. COST | TOTAL | AVG. COST | TOTAL | AVG. COST | TOTAL |
| FURNISH ALL LABOR, MATERIALS, TOOLS, AND EQUIPMENT NECESSARY TO PERFORM ALL WORK AND SERVICES REQUIRED FOR MODIFIED BITUMAN ROOF REPLACEMENT OF THE WATER TREATMENT PLANT PER THE SPECIFICATIONS PROVIDED BY THE CITY OF OAK RIDGE PUBLIC WORKS DEPARTMENT | 1 | | \$ 241,395.00 | | \$ 369,900.00 | | \$ 424,300.00 | | |
| TOTAL PRICE | | | \$ 241,395.00 | | \$ 369,900.00 | | \$ 424,300.00 | | |
| TERMS | | | Net 30 | | Net 30 | | Net 30 | | |
| DELIVERY | | | per Contract | | per Contract | | per Contract | | |
| F.O.B. | | | Oak Ridge | | Oak Ridge | | Oak Ridge | | |
| VIA | | | Best Way | | Best Way | | Best Way | | |
| OTHER BIDDERS CONTACTED: Johns Manville Roofing Systems - Denver, CO Larimer/Shannon Group - Atlanta, GA TBM Roofing & Siding - Pembroke, VA DRI - Irvine, CA Cleveland Roofing Company, Inc. - Cleveland, TN | | | | | | BIDS OPENED AND RECORDED BY--  Lyn Majeski Accounting Division Manager | | | |
| REASON FOR AWARD | | | RECOMMEND AWARD BE MADE TO: | | | BIDS REVIEWED BY--  Janice McGinnis Finance Director | | | |
| ONLY BID RECEIVED <input type="checkbox"/> LOW PRICE <input type="checkbox"/> BETTER OR REQUIRED DESIGN <input type="checkbox"/> EARLY DELIVERY <input type="checkbox"/> LOWEST TOTAL COST <input checked="" type="checkbox"/> | | | Dixie Roofing, Inc. 672 Fox Den Lane LaFollette, TN 37766 | | | | | | |

RESOLUTION

A RESOLUTION AWARDING TWO CONTRACTS (FY2014-30 AND FY2014-31) TO DIXIE ROOFING, INC., LAFOLLETTE, TENNESSEE, FOR THE REPLACEMENT OF METAL AND MEMBER ROOFS AT THE WATER TREATMENT PLANT, SAID CONTRACTS IN THE ESTIMATED AMOUNTS OF \$170,575.00 AND \$241,395.00, RESPECTIVELY.

WHEREAS, the roof at the Water Treatment Plant is in need of replacement; and

WHEREAS, bids were received and publicly opened on August 15, 2013 with Dixie Roofing, Inc., Lafollette, Tennessee, submitting the lowest and best bid for the metal roof portion of the project, which bid the City Manager recommends be accepted; and

WHEREAS, bids were received and publicly opened on August 15, 2013 with Dixie Roofing, Inc., Lafollette, Tennessee, submitting the lowest and best bid for the membrane roof portion of the project, which bid the City Manager recommends be accepted.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF OAK RIDGE, TENNESSEE:

That the recommendation of the City Manager is approved and awards are hereby made as follows:

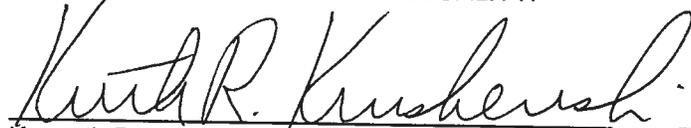
To Dixie Roofing, Inc., 672 Fox Den Lane, Lafollette, Tennessee 37766, for the furnishing of all labor, tools, materials, equipment and supplies necessary for the metal roof replacement project at the Water Treatment Plant; said award in strict accordance with FY2014-30, the required specifications, and the bid as publicly opened on August 15, 2013, and in the estimated amount of \$170,575.00.

To Dixie Roofing, Inc., 672 Fox Den Lane, Lafollette, Tennessee 37766, for the furnishing of all labor, tools, materials, equipment and supplies necessary for the membrane roof replacement project at the Water Treatment Plant; said award in strict accordance with FY2014-31, the required specifications, and the bid as publicly opened on August 15, 2013, and in the estimated amount of \$241,395.00.

BE IT FURTHER RESOLVED that the Mayor is hereby authorized to execute the appropriate legal instruments to accomplish the same.

This the 9th day of September 2013.

APPROVED AS TO FORM AND LEGALITY:


Kenneth R. Krushenski, City Attorney

Thomas L. Beehan, Mayor

Diana R. Stanley, City Clerk

ELECTRIC DEPARTMENT MEMORANDUM

13-20

DATE: August 23, 2013
TO: Mark S. Watson, City Manager
FROM: Jack L. Suggs, Electric Director
SUBJECT: PURCHASE OF UNDERGROUND CABLE

Introduction

An item for City Council's consideration is a resolution approving the purchase of 8,400 feet of underground electric cable from WESCO Distribution, Inc., Chattanooga, TN in the amount of \$101,871.00

Funding

Funding for this purchase is through the Electric Fund.

Background/Analysis/Review/Consideration

The cable being purchased will be used by the Electric Department in the construction and maintenance of the electric distribution system. This cable is a large copper cable designed and used for underground utility installation in large load applications.

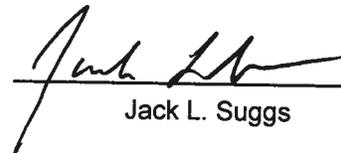
The specific cable being purchased will be targeted toward replacing the cables leaving substations and supporting large circuits. Most of these cables have been replaced over the years, either because of failures or systematic replacement, but five of the eighteen circuits in the three substations being addressed are still original. These cables are approaching fifty years old, far in excess of their design life. As such they are experiencing higher losses, degradation of the cable's electrical properties which can cause power quality problems and an extremely high failure rate (two in the last year).

Replacing the cable is a substation construction project, which involves transferring large sections of the City from one circuit to another, large equipment and disruption of traffic. This is better done on a planned basis rather than an emergency one.

For that reason, staff plans to initiate replacement of these circuits as soon as practical.

Recommendation

Staff recommends approval of the resolution approving the purchase.



Jack L. Suggs

City Manager's Comments:

I have reviewed the above issue and recommend Council action as outlined in this document.

Mark S. Watson

Mark S. Watson

8/30/13

Date

**CITY OF OAK RIDGE, TENNESSEE
Abstract of Bids**

RFQ 135226

OPENING DATE: August 13, 2013 2:00 P.M.

| | | | | | | | | | | |
|---|------|-------|--|--------------|--|--------------|---|--------------|--|---------------|
| FOR -- Underground Distribution Cable 500 MCM Cu | | | BIDDER: WESCO Distribution, Inc. 1709 North Orchard Knob Avenue Chattanooga, TN 37406 | | BIDDER: Power Supply Company, LLC 1907 Daisy Street Chattanooga, TN 37406 | | BIDDER: Stuart C. Irby Co. 501 West Mountain View Rd. Johnson City, TN 37604 | | BIDDER: Edwards Supply Co., Inc. 315 Oak Ridge Turnpike Oak Ridge, TN 37830 | |
| MANUFACTURER: | | | PRYSMIAN | | PRYSMIAN | | OKONITE | | OKONITE | |
| DESCRIPTION | ITEM | FEET | UNIT COST | TOTAL | UNIT COST | TOTAL | UNIT COST | TOTAL | UNIT COST | TOTAL |
| THE FURNISHING OF UNDERGROUND DISTRIBUTION CABLE 500 MCM CU PER THE SPECIFICATIONS PROVIDED BY THE CITY OF OAK RIDGE ELECTRIC DEPARATMENT | 1 | 8,400 | \$ 11.55 | \$ 97,020.00 | \$ 11.65 | \$ 97,860.00 | \$ 11.689 | \$ 98,187.60 | \$ 11.92 | \$ 100,128.00 |
| * CONTRACT AMENDMENT BUDGET FOR OVERAGE, SHALL NOT EXCEED 5%. | 1* | | | \$ 4,851.00 | | \$ 4,893.00 | | \$ 4,909.38 | | \$ 5,006.40 |
| TOTAL PRICE | | | align="right">\$ 101,871.00 | | align="right">\$ 102,753.00 | | align="right">\$ 103,096.98 | | align="right">\$ 105,134.40 | |
| TERMS | | | align="center">Net 30 | | align="center">Net 30 | | align="center">Net 30 | | align="center">Net 30 | |
| DELIVERY | | | align="center">10-12 Weeks ARO | | align="center">10-12 Weeks ARO | | align="center">6-8 Weeks ARO | | align="center">6-8 Weeks ARO | |
| F.O.B. | | | align="center">Oak Ridge | | align="center">Oak Ridge | | align="center">Oak Ridge | | align="center">Oak Ridge | |
| VIA | | | align="center">Best Way | | align="center">Best Way | | align="center">Best Way | | align="center">Best Way | |

OTHER BIDDERS CONTACTED:
Utilicor / BSE - Nashville, TN (KERITE)

BIDS OPENED AND RECORDED BY--
Lyn Majeski
Lyn Majeski
Accounting Division Manager

BIDS REVIEWED BY--
Janice McGinnis
Janice McGinnis
Finance Director

REASON FOR AWARD

| | |
|---------------------------|-------------------------------------|
| ONLY BID RECEIVED | <input type="checkbox"/> |
| LOW PRICE | <input type="checkbox"/> |
| BETTER OR REQUIRED DESIGN | <input type="checkbox"/> |
| EARLY DELIVERY | <input type="checkbox"/> |
| LOWEST TOTAL COST | <input checked="" type="checkbox"/> |

RECOMMEND AWARD BE MADE TO:

WESCO Distribution, Inc.
1709 North Orchard Knob Avenue
Chattanooga, TN 37406

NUMBER _____

RESOLUTION

A RESOLUTION AWARDING A BID IN THE ESTIMATED AMOUNT OF \$101,871.00 TO WESCO DISTRIBUTION, INC., CHATTANOOGA, TENNESSEE, FOR THE FURNISHING OF UNDERGROUND ELECTRIC CABLE.

WHEREAS, the City of Oak Ridge has issued invitations to bid for the purchase of underground electric cable for use in construction and maintenance of the electrical distribution system; and

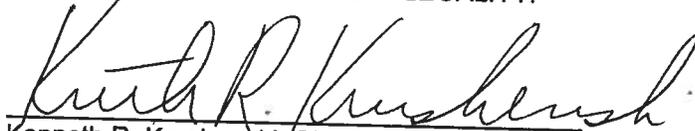
WHEREAS, bids were received and publicly opened on August 13, 2013, with WESCO Distribution, Inc., Chattanooga, Tennessee, submitting the lowest and best bid, which bid the City Manager recommends be accepted.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF OAK RIDGE, TENNESSEE:

That the recommendation of the City Manager is approved and award is hereby made to WESCO Distribution, Inc., 1709 North Orchard Knob Avenue, Chattanooga, Tennessee 37406, for the furnishing of underground electric cable; said award in strict accordance with the required specifications and the bid as submitted and publicly opened on August 13, 2013, and in the estimated amount of \$101,871.00.

This the 9th day of September 2013.

APPROVED AS TO FORM AND LEGALITY:



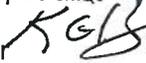
Kenneth R. Krushenski, City Attorney

Thomas L. Beehan, Mayor

Diana R. Stanley, City Clerk

COMMUNITY DEVELOPMENT MEMORANDUM

13-33

DATE: August 22, 2013
TO: Mark S. Watson, City Manager
FROM: Athanasia Senecal Lewis, Community Development Specialist 
THROUGH: Kathryn G. Baldwin, Community Development Director 
SUBJECT: TENNESSEE DEPARTMENT OF TRANSPORTATION OPERATING (TDOT) ASSISTANCE GRANT

Introduction

An item for City Council's consideration is a resolution authorizing the City of Oak Ridge to apply for and receive a Tennessee Department of Transportation (TDOT) Operating Grant in the amount of \$165,533.00 for Fiscal Year 2014.

Funding

The State has allocated \$165,533.00 to the City of Oak Ridge for public transportation services during fiscal year 2014. Allocations were based on population reported in the 2010 census.

Background

The City of Oak Ridge Public Transportation Program consists of a Demand Responsive System and a Transportation Assistance Program. The Demand Responsive System, established in 1993, provides public transportation to all persons within the corporate city limits. The Transportation Assistance Program, established in 1974, serves as a supplemental program that transports senior citizens and persons with disabilities, essentially serving as the City's Transportation Assistance Program.

The City's share of expenses comes through the Streets and Public Transportation Fund, which gets its revenue primarily from a 1-cent-per-gallon fee levied by the State on petroleum products and shared with local governments, and an annual operating transfer from the City's General Fund. The City's revenue from the State source has been relatively flat over the past few years. This revenue is allocated to local governments on a prorated share based on population. The operating transfer from the City's General Fund provides the remaining funding to match the grant with the fiscal year 2014 transfer set at \$60,000.00.

1. **The Demand Responsive Transit System** – The City's Demand Responsive Transit System was created in 1993 to provide transportation service to all persons within the corporate city limits of Oak Ridge. Riders can use the City's disabled-accessible minibuses to travel to medical appointments, places of employment, shopping centers, and social venues. The City currently has three minibuses equipped with ADA-compliant amenities. Priority trips are given to the elderly, persons with intellectual and developmental disabilities, and persons with medical needs; however, anyone can ride. The current fare inside city limits is \$1.50 per one-way trip, and additional stops cost an extra \$1.00. Reservations must be made 24 hours in advance. Planned stops and return trips also need to be scheduled 24 hours in advance. Residents can make reservations by calling (865) 482-2785.

By Resolution 8-76-2013, City Council awarded a new contract, effective November 1, 2013, to the East Tennessee Human Resource Agency (ETHRA) to provide demand-responsive public transportation services for the City. ETHRA is responsible for the daily operations and management of the system. The contract is for an initial one-year term, running on the State's fiscal year, with up to nine (9) additional one-year terms upon the mutual consent of both parties.

At the start of the new contract, three 2013 Ford E350 Goshen Coach Pacer-ADA-compliant and wheelchair equipped vehicles, provided by ETHRA, will be commissioned. The program will continue to be managed and operated by ETHRA and program requirements, with regard to reservations will stay the same. The hours of operation will be Monday through Saturday 8:00 a.m. to 5:00 p.m.; however, the general public fare will increase to \$2.00 per one-way trip. The general public fare of \$2.00 is still below the current rate in surrounding counties. There will not be an increase for additional stops.

- 2. Transportation Assistance Program** – The Transportation Assistance Program began in December 1974, offering a means to supplement transportation for eligible participants to medical appointments, shopping, social, cultural, and recreational venues. The Transportation Assistance Program, originally established to assist senior citizens, was restructured in 1987 to serve the needs of persons with intellectual and developmental disabilities as well. Residents age 55 and older, or persons age 18 or older with documentation of intellectual and developmental disabilities, may purchase taxicab coupons. Taxicab coupons are sold from 9:00 a.m. to 4:00 p.m., Monday through Friday at the Oak Ridge Senior Center. Proof of identification, age, and residency is required. Qualified persons may purchase a maximum of 144 coupons per year. Coupons are sold in books of 12 for \$9.00 per book and coupons are valid from July 1st through June 30th. One coupon may be used per one-way trip. Leftover coupons can be exchanged at the Senior Center for current coupons. The taxicab company offers a 10% discount, absorbing thirty cents of the coupons' cost, and the City provides the remaining \$1.95.

| Financial Breakdown | | |
|----------------------------|---------------|-------------|
| City's Share | \$1.95 | 65% |
| Participant's Share | \$0.75 | 25% |
| Taxicab Share | \$0.30 | 10% |
| | <u>\$3.00</u> | <u>100%</u> |

Projected fiscal year 2014 City expenditures on the two programs are outlined as follows:

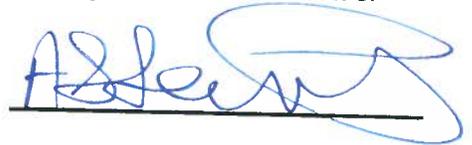
| | |
|---------------------------|------------------|
| ETHRA Public Transit | \$195,000 |
| City's Share Taxi Coupons | <u>\$ 65,000</u> |
| Total Expenditures | \$260,000 |

Staff recommends approval of the attached resolution.

Recommendation

Staff recommends authorizing the City to apply for and receive a TDOT Operating Grant in the amount of 165,533.00.

Attachment(s)
Athanasia Senecal Lewis



City Manager's Comments:

I have reviewed the above issue and recommend Council action as outlined in this document.


Mark S. Watson

8/30/13
Date

RESOLUTION

A RESOLUTION AUTHORIZING THE SUBMITTAL OF A GRANT APPLICATION TO THE TENNESSEE DEPARTMENT OF TRANSPORTATION (TDOT) FOR AN OPERATING ASSISTANCE GRANT TO REIMBURSE THE CITY FOR UP TO FIFTY PERCENT (50%) OF THE NET OPERATING EXPENSES OF THE CITY'S PUBLIC TRANSPORTATION PROGRAM IN THE ESTIMATED AMOUNT OF \$165,533.00, AND TO ACCEPT SAID GRANT IF APPROVED BY TDOT.

WHEREAS, the City has implemented a public transportation program including a demand-responsive system and a transportation assistance program; and

WHEREAS, the Tennessee Department of Transportation has grant monies available under its Operating Assistance Grant program and has allocated funding to reimburse the City for a portion of the operating expenses for the City's transit system; and

WHEREAS, the City Manager recommends submittal of an application for said grant and recommends acceptance of said grant should it be approved by the Tennessee Department of Transportation.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF OAK RIDGE, TENNESSEE:

That the recommendation of the City Manager is approved and the City is hereby authorized to submit a grant application to the Tennessee Department of Transportation for an Operating Assistance Grant to reimburse the City for up to fifty percent (50%) of the net operating expenses of the City's Public Transportation Program in the estimated amount of \$165,533.00.

BE IT FURTHER RESOLVED that the Mayor is hereby authorized to execute the appropriate legal instruments to accomplish the same.

BE IT FURTHER RESOLVED that if said application is approved by the Tennessee Department of Transportation, the Mayor is authorized to accept said grant for the City.

This the 9th day of September 2013.

APPROVED AS TO FORM AND LEGALITY:



Kenneth R. Krushenski, City Attorney

Thomas L. Beehan, Mayor

Diana R. Stanley, City Clerk

PUBLIC WORKS MEMORANDUM
13-24

DATE: August 28, 2013
TO: Mark S. Watson, City Manager
FROM: Steven R. Byrd, P.E., City Engineer
THROUGH: Gary M. Cinder, P.E., Director of Public Works *GMC*
SUBJECT: **Pedestrian Safety Improvements – Emory Valley Road at Emory Valley Center**

Introduction

An item for City Council's consideration is proposed pedestrian crosswalk safety improvements on Emory Valley Road at the Emory Valley Center.

Funding

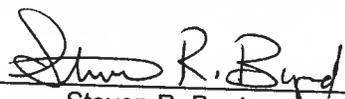
Oak Ridge City Council Resolution No. 4-30-11 authorized approval of expenditures from the Special Programs Fund for transportation enhancement projects for traffic capacity/safety, school crossing, and bicycle/pedestrian safety. Funds are available in the Special Programs Fund to enhance safety at the crosswalk on Emory Valley Road at an estimated cost of \$25,000 for the purchase of equipment.

Background

Pedestrian crossing movements on Emory Valley Road at the Emory Valley Center have occurred for years. During the development of the City of Oak Ridge Bicycle and Pedestrian Plan this location was identified as needing enhanced safety for the crossing area between the Emory Valley Center and the Senior Center. Within the last few years there has been an increase in pedestrian volume and the City has installed a marked crosswalk and additional advance pedestrian warning signs to better identify the location of the crosswalk. At the August 26, 2013 City Council special meeting, staff presented a prioritized list of five projects for consideration to be funded from the Special Programs Funds. After Council's deliberation the first two projects were approved for funding. The proposed safety improvement at the Emory Valley Center crosswalk was listed fourth and includes the installation of Pedestrian Crossing LED Warning Lights located on each approach to the crosswalk. The warning lights are the same as recently installed on Melton Lake Drive at three crosswalks. At the meeting a citizen addressed Council on the urgent need for safety improvements at the Center and requested that further consideration be given to fund the improvements.

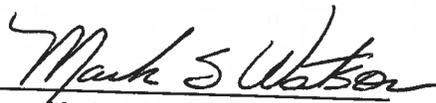
Recommendation

Staff recommends approval of the resolution authorizing the installation of Pedestrian Crossing LED Warning Lights on Emory Valley Road at Emory Valley Center. The project will be designed and installed by City forces and is anticipated to be complete in the fall of 2013.


Steven R. Byrd

City Manager's Comments:

I have reviewed the above issue and recommend Council action as outlined in this document.


Mark S. Watson

8/30/13
Date

NUMBER _____

RESOLUTION

A RESOLUTION TO AUTHORIZE THE USE OF APPROXIMATELY \$25,000.00 FROM THE SPECIAL PROGRAMS FUND FOR PEDESTRIAN CROSSWALK SAFETY IMPROVEMENTS ON EMORY VALLEY ROAD AT THE EMORY VALLEY CENTER.

WHEREAS, by Resolution 4-30-11, City Council authorized the use of the Special Programs Fund for transportation enhancement projects for traffic capacity/safety improvements, school crossing, and bicycle/pedestrian safety improvements; and

WHEREAS, at this time, staff is ready to proceed with pedestrian crosswalk safety improvements on Emory Valley Road at the Emory Valley Center; and

WHEREAS, the City Manager requests authorization from City Council to utilize the Special Programs Fund for said project.

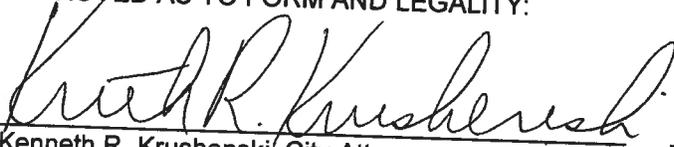
NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF OAK RIDGE, TENNESSEE:

That the recommendation of the City Manager is approved and City Council hereby authorizes the use of the Special Programs Fund for pedestrian crosswalk safety improvements on Emory Valley Road at the Emory Valley Center.

BE IT FURTHER RESOLVED that any project costs exceeding \$25,000.00 still requires City Council approval of the expenditure.

This the 9th day of September 2013.

APPROVED AS TO FORM AND LEGALITY:


Kenneth R. Krushenski, City Attorney

Thomas L. Beehan, Mayor

Diana R. Stanley, City Clerk

RESOLUTIONS

**FIRE DEPARTMENT HEADQUARTERS
MEMORANDUM**

HQ-13-0025

DATE: July 22, 2013
TO: Mark S. Watson, City Manager
FROM: Darryl Kerley, Fire Chief
SUBJECT: REQUEST FOR PURCHASE OF FIRE ENGINES

Introduction

Attached for City Council's consideration is a resolution authorizing the City to purchase one (1) Sutphen Class A fire engine and lease-purchase two (2) additional Sutphen Class A fire engines to replace three (3) 15-year old engines, currently being used as primary response vehicles at Fire Stations 1, 2, and 3. Attached for review are the results of the sealed bid process conducted over the last 10 months along with repair and maintenance cost records and a lease/purchase proposal.

Funding

The total cost of purchasing one (1) fire engine and lease-purchasing two (2) fire engines is \$1,446,437.00, which will be funded through the Fire Department Equipment Replacement Fund. The Fire Department budget will cover the cost of these vehicles without any additional funds allotted to the vehicle replacement plan.

Background

The current fire engines located at Fire Stations 1, 2, and 3 were purchased in 1998 and currently have more than 140,000 miles on them. They are on a fifteen (15) year depreciation plan and are now fully depreciated. Since their purchase in 1998, the technology of the fire engines has changed to meet today's demands for service. The Fire Department Vehicle Replacement Committee reviewed the Fire Department response data for the last thirty six (36) months and researched new technology available on the fire apparatus. The Committee determined the engines currently in use meet approximately ninety (90) percent of the City's needs. There is, however some new technology the Committee determined would be better suited for today's emergency service delivery in Oak Ridge. The features recommended by the Committee were incorporated into the new bid specification package.

The National Fire Protection Association (NFPA) 1901 Standard for Motorized Fire Apparatus recommends that first responding engines be in-service for no more than twelve (12) years, then be retained for an additional twelve (12) years as reserve apparatus. The nationally agreed standard on mileage accumulation for fire apparatus is approximately 100,000 miles, as one (1) mile on a fire apparatus is equivalent to approximately three and a half (3.5) miles on a commercial vehicle based on the type of use.

Analysis

Upon review of the sealed bids submitted on July 10, 2013, the Fire Department Vehicle Replacement Committee recommends the purchase be awarded to the Sutphen Corporation based on the following:

- Sutphen was closest to meeting the overall fire engine specification as posted by the city purchasing department.
- Based on the price per fire engine, Sutphen was the low bidder.
- Sutphen specified the Ziamatic electric ladder rack system as detailed in the specification and is currently being used on five (5) of the Oak Ridge fire engines.
- Sutphen uses a two (2) piece windshield system as requested in the bid specification.

- Sutphen specified a 3/16-inch thick aluminum body construction, which meets specification and is 1/16-inch thicker than the next lowest bid.
- Sutphen Manufacturing specified a labeled and coded, hard wire electrical harness, to all electrical components on the fire engine compared to the next lowest bidder, which uses a vendor specific Command Zone, module controlled, low voltage electrical system.
- The City currently owns and has operated four (4) Sutphen products (3-engines and 1- tower) for the past 15 years, which reduces the training dynamic for both the firefighters who operate the engines and the central service emergency vehicle technicians who repair the fire engines.

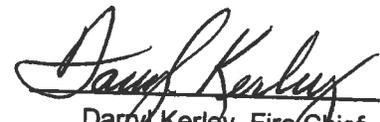
The engines selected through the competitive sealed bid process meet the current NFPA standard for motorized fire apparatus and will be manufactured by a vendor who has been in business building fire engines for more than fifty (50) years. When the new engines are delivered the current engines will be sixteen (16) years old with approximately 160,000 miles and will be placed in-service as reserve engines only. At that point, the City will be able to surplus and sell two (2) or more current reserve engines to offset cost of the new apparatus.

Recommendation

City staff recommends the replacement of the three (3) engines for Fire Stations 1, 2, and 3 in a single purchase process, which will minimize training hours required for new apparatus for both the firefighters and central service facility emergency vehicle technicians. Staff recommends paying cash for one (1) engine and entering into a lease/purchase agreement with a selected vendor based on the best rate available at execution, but not to exceed twelve (12) years or 3.35% interest for the other two (2) engines. The attached resolution will approve the purchase of three (3) engines and approve entering into the lease/purchase agreement with an approved vendor or Leasing 2, Inc. the leasing vendor for Cumberland International Trucks and Sutphen Manufacturing as submitted in Sutphen's sealed bid dated July 10, 2013. Upon award of the contract to purchase, it will take approximately eleven (11) months to have the vehicles manufactured, with a projected delivery date of September 11, 2014.

Staff recommends approval of the attached resolution

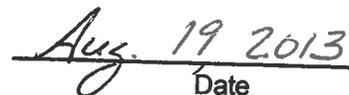
Attachments


 Darryl Kerley, Fire Chief

City Manager's Comments:

I have reviewed the above issue and recommend Council action as outlined in this document.


 Mark S. Watson

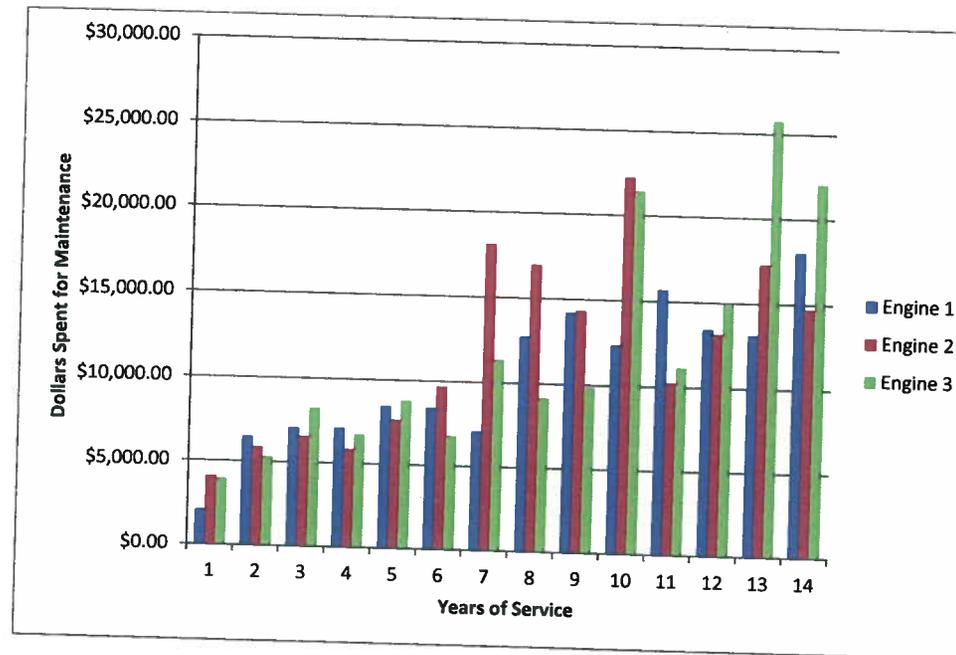

 Date

Detail requested at August 26, 2013 Workshop

Annual Fire Engine Repair Cost by Year

Information supplied by Jane Ann Hoskins Procurement Department

| | Engine 1 Shop # 329 | Engine 2 Shop # 327 | Engine 3 Shop # 328 | | | Annual Totals |
|------|------------------------|------------------------|------------------------|----|--------|------------------|
| 1998 | 0 | 0 | 0 | 0 | FY99 | 0 |
| 1999 | \$2,103.67 | \$4,082.36 | \$3,957.23 | 1 | FY2000 | \$10,143.26 |
| 2000 | \$6,475.55 | \$5,858.55 | \$5,290.93 | 2 | FY01 | \$17,625.03 |
| 2001 | \$7,075.94 | \$6,536.18 | \$8,273.77 | 3 | FY02 | \$21,885.89 |
| 2002 | \$7,111.92 | \$5,841.86 | \$6,733.04 | 4 | FY03 | \$19,686.82 |
| 2003 | \$8,480.41 | \$7,662.59 | \$8,815.26 | 5 | FY04 | \$24,958.26 |
| 2004 | \$8,416.06 | \$9,683.11 | \$6,775.74 | 6 | FY05 | \$24,874.91 |
| 2005 | \$7,084.75 | \$18,132.47 | \$11,366.94 | 7 | FY06 | \$36,584.16 |
| 2006 | \$12,783.38 | \$16,975.99 | \$9,159.69 | 8 | FY07 | \$38,919.06 |
| 2007 | \$14,240.83 | \$14,354.15 | \$9,887.12 | 9 | FY08 | \$38,482.10 |
| 2008 | \$12,414.45 | \$22,244.08 | \$21,469.63 | 10 | FY09 | \$56,128.16 |
| 2009 | \$15,731.72 | \$10,251.08 | \$11,180.08 | 11 | FY10 | \$37,162.88 |
| 2010 | \$13,462.55 | \$13,174.73 | \$14,987.82 | 12 | FY11 | \$41,625.10 |
| 2011 | \$13,174.73 | \$17,298.26 | \$25,780.90 | 13 | FY12 | \$56,253.89 |
| 2012 | \$18,043.97 | \$14,736.26 | \$22,071.92 | 14 | FY13 | \$54,852.15 |



**CITY OF OAK RIDGE, TENNESSEE
Abstract of Bids**

RFQ # 134280

OPENING DATE: July 10, 2013 2:00 P.M.

| FOR --- Three (3) Class A Fire Pumpers - National Fire Protection Association (NFPA) Approved | | | BIDDER: Sutphen Corporation P.O. Box 158 Amlin, OH 43002 | | BIDDER: Pierce Manufacturing 2600 American Drive Appleton, WI 54912 | | BIDDER: | | BIDDER: | | |
|--|------|---------|---|----------------|--|----------------|---|-------|-----------|-------|--|
| DESCRIPTION | ITEM | UNIT(S) | UNIT COST | TOTAL | UNIT COST | TOTAL | UNIT COST | TOTAL | UNIT COST | TOTAL | |
| THREE (3) CLASS A FIRE PUMPERS NFPA APPROVED PER THE SPECIFICATIONS PROVIDED BY THE CITY OF OAK RIDGE FIRE DEPARTMENT | 1 | 3 | \$482,145.67 | \$1,446,437.00 | \$483,986.00 | \$1,451,958.00 | | | | | |
| | | 2 | \$484,738.00 | \$969,476.00 | \$487,869.00 | \$975,738.00 | | | | | |
| | | 1 | \$489,988.00 | \$489,988.00 | \$493,919.00 | \$493,919.00 | | | | | |
| TOTAL PRICE | | | \$1,446,437.00 | | \$1,451,958.00 | | | | | | |
| TERMS | | | On Delivery / Discount-Net 30 PO | | On Delivery / Discount With PO | | | | | | |
| DELIVERY | | | 8 - 13 Months ARO | | 7.5 Months ARO | | | | | | |
| F.O.B. | | | Oak Ridge | | Appleton, WI | | | | | | |
| VIA | | | Sutphen Driver | | Under Own Power | | | | | | |
| OTHER BIDDERS CONTACTED--- | | | | | | | BIDS OPENED AND RECORDED BY--- | | | | |
| American LaFrance - Chattanooga, TN Ferrara Fire Apparatus, Inc. - Holden, LA North America Fire Equipment Company Inc. (NAFCO)/KME - Decatur, AL Toyne, Inc. - Breda, IA Rosenbauer - Lyons, SD | | | | | | | Lyn Majeski Lyn Majeski Accounting Division Manager | | | | |
| REASON FOR AWARD | | | RECOMMEND AWARD BE MADE TO: | | | | BIDS REVIEWED BY--- | | | | |
| ONLY BID RECEIVED <input type="checkbox"/> | | | Sutphen Corporation | | | | Janice McGinnis | | | | |
| LOW PRICE <input type="checkbox"/> | | | P.O. Box 158 | | | | Finance Director | | | | |
| BETTER OR REQUIRED DESIGN <input checked="" type="checkbox"/> | | | Amlin, OH 43002 | | | | | | | | |
| EARLY DELIVERY <input type="checkbox"/> | | | | | | | | | | | |
| LOWEST TOTAL COST <input checked="" type="checkbox"/> | | | | | | | | | | | |

RESOLUTION

A RESOLUTION AUTHORIZING THE CITY TO PURCHASE ONE (1) SUTPHEN FIRE ENGINE AND LEASE-PURCHASE TWO (2) SUTPHEN FIRE ENGINES FROM SUTPHEN CORPORATION IN THE ESTIMATED AMOUNT OF \$1,446,437.00.

WHEREAS, the City of Oak Ridge Fire Department is in need of three (3) replacement fire engines for Fire Stations 1, 2, and 3; and

WHEREAS, bids were received and publicly opened on July 10, 2013, with Sutphen Corporation, Amlin, Ohio, submitting the lowest and best bid; and

WHEREAS, the City elects to purchase one (1) fire engine and lease-purchase the remaining two (2) fire engines, with a projected delivery date of September 11, 2014; and

WHEREAS, it is the City's intention to place the existing fire engines at Fire Stations 1, 2, and 3 in a reserve status in accordance with the National Fire Protection Association (NFPA) 109 Standard for Motorized Fire Apparatus and surplus and sell two (2) current reserve engines to offset the cost of the new fire engines; and

WHEREAS, the City Manager recommends acceptance of Sutphen's bid and the purchase of one (1) fire engine and the lease-purchase of two (2) fire engines.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF OAK RIDGE, TENNESSEE:

That the recommendation of the City Manager is approved and award is hereby made to Sutphen Corporation, P.O. Box 158, Amlin, Ohio 43002, for the furnishing of three (3) Sutphen fire engines in accordance with the bid as submitted and publicly opened on July 10, 2013 and in the estimated amount of \$1,446,437.00.

BE IT FURTHER RESOLVED that the City is authorized to enter into a not-to-exceed twelve-year lease-purchase agreement for the lease-purchase of two (2) of the three (3) fire engines through Sutphen's authorized leasing agent with an interest rate of 3.35%.

BE IT FURTHER RESOLVED that the Mayor and/or City Manager are hereby authorized to enter into the appropriate legal instruments to accomplish the same.

This the 9th day of September 2013.

APPROVED AS TO FORM AND LEGALITY:


Kenneth R. Krushenski, City Attorney

Thomas L. Beehan, Mayor

Diana R. Stanley, City Clerk

Personnel Memorandum
13-108

August 22, 2013

TO: Mark S. Watson, City Manager
FROM: Penelope H. Sissom, Personnel Director
SUBJECT: MEDICAL INSURANCE RENEWAL

The attached resolution extends the contract with the State of Tennessee Local Government Health Insurance Program to purchase employee medical insurance for calendar year 2014.

The State program that became effective January 1, 2011 offers a wide variety of choices with different premium rates for Employee Only, Employee plus Child(ren), Employee plus Spouse, and Employee plus Spouse plus Child(ren) and Employee Dual (both spouses are City employees under one contract). The employee then chooses either a Standard PPO (Preferred Provider Organization), a Partnership PPO or a PPO Limited and all three of these options are offered by both Blue Cross Blue Shield and CIGNA HealthCare. Each of the plans has different coinsurance and different deductible amounts. Another factor in the employee's decision is that not all physicians and hospitals are in every plan.

Resolution Number 5-44-03, adopted by the City Council at its May 5, 2003 meeting, specifies the City's premium cost sharing policy:

1. The City pays 85% of the highest cost plan for employees choosing single coverage with the employee paying the remaining cost;
2. The City pays 70% of the highest cost plan for employees choosing family coverage with the employee paying the remaining cost; and
3. Each spouse of the dual family (both spouses work for the City) pays the applicable single coverage employee rate for the specific plan selected for the dual family coverage.

Because of this policy, those employees selecting any of the four Limited PPO plans for CY2013 will have no payroll deduction. Staff is advocating that this cost-sharing policy continue as indicated above for calendar year 2014 and fiscal year 2015.

Resolution Number 6-52-08, adopted by the City Council at its June 16, 2008 meeting, provides that the City contributes 50% of the medical insurance cost for its retirees and their families until the retiree becomes eligible for Medicare, or has been retired for seven years, whichever comes first.

The City was advised that because of projected benefit and administrative expenses there will be an average increase in premiums of 5.3% effective January 1, 2014. With the uncertainty still surrounding the Affordable Care Act (ACA or Obama Care) this increase, which is well below some of the published figures for medical insurance increases, will be shared with employees as indicated in the policies above and the figures listed below. Employees will be advised of this increase during the period of October 1 through November 1, 2013, which is the annual enrollment transfer period. At this time employees may change plans (Partnership, Standard or Limited PPO), may change medical providers (BCBS or CIGNA) or may enroll dependents without a qualifying event. The benefit structure for CY2014 has some modifications especially in the Limited PPO option. As part of the Partnership PPO, all employees will be required to complete an online Well-Being Assessment and have a biometric screening at their doctor's office or at a worksite location.

The charts below reflect the medical insurance premium changes and the impact these premiums will have on both the City and employees.

| Level of Coverage | Total Premiums | | | |
|--------------------------------|------------------------|-------------|------------------|-------------|
| | Blue Cross Blue Shield | | CIGNA HealthCare | |
| | Monthly | Annual | Monthly | Annual |
| Partnership PPO | | | | |
| Employee | \$611.55 | \$7,338.60 | \$631.55 | \$7,578.60 |
| Employee + Child(ren) | \$947.90 | \$11,374.80 | \$987.90 | \$11,854.80 |
| Employee + Spouse | \$1,314.81 | \$15,777.72 | \$1,354.81 | \$16,257.72 |
| Employee + Spouse + Child(ren) | \$1,651.18 | \$19,814.16 | \$1,691.18 | \$20,294.16 |
| Standard PPO | | | | |
| Employee | \$636.55 | \$7,638.60 | \$656.55 | \$7,878.60 |
| Employee + Child(ren) | \$972.90 | \$11,674.80 | \$1,012.90 | \$12,154.80 |
| Employee + Spouse | \$1,364.81 | \$16,377.72 | \$1,404.81 | \$16,857.72 |
| Employee + Spouse + Child(ren) | \$1,701.18 | \$20,414.16 | \$1,741.18 | \$20,894.16 |
| PPO-Limited | | | | |
| Employee | \$391.61 | \$4,699.32 | \$411.61 | \$4,939.32 |
| Employee + Child(ren) | \$606.99 | \$7,283.88 | \$646.99 | \$7,763.88 |
| Employee + Spouse | \$841.96 | \$10,103.52 | \$881.96 | \$10,583.52 |
| Employee + Spouse + Child(ren) | \$1,057.35 | \$12,688.20 | \$1,097.35 | \$13,168.20 |

| Level of Coverage | Employee Cost | | | |
|--------------------------------|------------------------|------------|------------------|------------|
| | Blue Cross Blue Shield | | CIGNA HealthCare | |
| | Pay Period | Annual | Pay Period | Annual |
| Partnership PPO | | | | |
| Employee | \$24.68 | \$641.68 | \$33.91 | \$881.66 |
| Employee + Child(ren) | \$110.25 | \$2,866.50 | \$128.71 | \$3,646.46 |
| Employee + Spouse | \$152.97 | \$3,977.22 | \$171.43 | \$4,457.18 |
| Employee + Spouse + Child(ren) | \$199.55 | \$5,188.30 | \$218.01 | \$5,668.26 |
| Employee Dual | \$49.36 | \$1,283.36 | \$67.82 | \$1,763.32 |
| Standard PPO | | | | |
| Employee | \$36.22 | \$941.72 | \$45.45 | \$1,181.70 |
| Employee + Child(ren) | \$121.79 | \$3,166.54 | \$140.25 | \$3,646.50 |
| Employee + Spouse | \$176.05 | \$4,577.30 | \$194.51 | \$5,057.26 |
| Employee + Spouse + Child(ren) | \$222.63 | \$5,788.63 | \$241.09 | \$6,268.34 |
| Employee Dual | \$72.44 | \$1,883.44 | \$90.90 | \$2,363.40 |

PPO-Limited – No Charge for Employee with Any Option

Sufficient funds are included in the FY2014 Budget for the CY2014 increase. Therefore, Staff recommends adoption of the attached resolution.

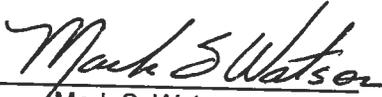


Penelope H. Sissom

Attachment

City Manager's Comments:

I have reviewed the above issue and recommend Council action as outlined in this document.

 8/30/13

Mark S. Watson Date

RESOLUTION

A RESOLUTION TO EXTEND THE EMPLOYEE MEDICAL INSURANCE CONTRACT BETWEEN THE CITY OF OAK RIDGE AND THE STATE OF TENNESSEE LOCAL GOVERNMENT HEALTH INSURANCE PROGRAM FOR THE PERIOD OF JANUARY 1, 2014 THROUGH DECEMBER 31, 2014 AT AN ESTIMATED COST OF \$4,520,000.00.

WHEREAS, it is appropriate for the City to ensure that its employees have affordable medical insurance coverage for themselves and their families; and

WHEREAS, it is appropriate for the City to provide medical insurance coverage for its employees that is comparable to that provided by similar cities and employers; and

WHEREAS, it is appropriate for the City to ensure that those who have retired from City employment after having served the City have medical insurance coverage for themselves and their families; and

WHEREAS, it is appropriate for the City to provide for a medical reimbursement account for those employees who elect not to have medical insurance through the City; and

WHEREAS, the State of Tennessee offers to local government employees and retirees a self-insured medical insurance plan and contracts for the administration of said plan; and

WHEREAS, by Resolution 9-148-98, City Council approved a contract with the State of Tennessee for the purchase of employee medical insurance; and

WHEREAS, the City of Oak Ridge has the option to extend said contract for the period of January 1, 2014 through December 31, 2014, at an estimated cost of \$4,520,000.00; and

WHEREAS, the City Manager recommends extension of said contract.

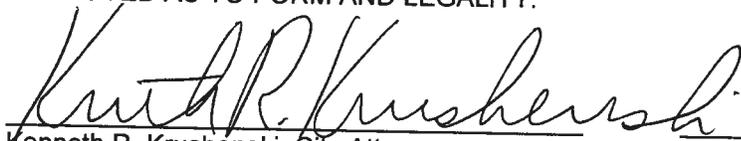
NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF OAK RIDGE, TENNESSEE:

That the recommendation of the City Manager is approved and the contract between the City of Oak Ridge and the State of Tennessee Local Government Health Insurance Program, Nashville, Tennessee, to provide employee medical insurance is hereby extended for the period January 1, 2014 through December 31, 2014 at an estimated cost of \$4,520,000.00.

BE IT FURTHER RESOLVED that the Mayor is hereby authorized to execute the appropriate legal instruments to accomplish the same.

This the 9th day of September 2013.

APPROVED AS TO FORM AND LEGALITY:



Kenneth R. Krushenski, City Attorney

Thomas L. Beehan, Mayor

Diana R. Stanley, City Clerk

FINANCE DEPARTMENT MEMORANDUM
13-20

DATE: August 21, 2013
TO: Mark S. Watson, City Manager
THROUGH: Janice E. McGinnis, Finance Director *JEM*
FROM: Lyn Majeski, Accounting Division Manager
SUBJECT: ANNUAL ORDER – TEMPORARY EMPLOYMENT SERVICES

Introduction

An item for City Council's consideration is a resolution authorizing the utilization of temporary employees in the estimated amount of \$225,000.

Funding

Funds are budgeted and available in FY 2014.

Background/Analysis/Review/Consideration

Over the last twenty years, the City has utilized temporary employees in clerical, technical and field crew positions. Temporary employees are used to perform duties in place of sick or injured employees, seasonal duties and special projects. A Request for Proposal (RFP) was issued by the Finance Department with ten (10) companies submitting proposals for review and evaluation.

Of the ten proposals received, seven (7) were deemed non-responsive for the supply of general labor temporary workers. Based on pay rate and markup rate, staff recommends utilizing the services of Alternate Staffing, Inc., Knoxville, TN; Atwork Solutions, Knoxville, TN and First Place Finish, Oak Ridge, TN.

Of the ten proposals received two (2) were deemed non-responsive for the supply of clerical/office temp workers. Of the remaining eight (8) proposals, information is available for when a specific need is identified. Department personnel can request specific certifications, resumes, and cost information from the Accounting Division Manager and review them prior to hiring the temporary employee. Staff recommends utilizing the services of Atwork Solutions, Knoxville, TN; Alternate Staffing, Inc., Knoxville, TN; Staffing Solutions, Oak Ridge, TN; Temp Systems, Inc., Knoxville, TN; Trinity Contracting Services Co., LLC, Oak Ridge, TN; Robert Half International (Accountemps and Office Team), Knoxville, TN; Express Employment Professionals, Knoxville, TN; and First Place Finish, Oak Ridge, TN.

Recommendation

Staff recommends approval of the attached resolution as submitted. Funds are budgeted and available in fiscal year 2014.

Lyn Majeski

Lyn Majeski

City Manager's Comments:

I have reviewed the above issue and recommend Council action as outlined in this document.

Mark S. Watson

Mark S. Watson

8/29/13

Date

RESOLUTION

A RESOLUTION MAKING AWARDS TO ALTERNATE STAFFING, INC.; ATWORK SOLUTIONS, INC.; EXPRESS EMPLOYMENT PROFESSIONALS; FIRST PLACE FINISH; ROBERT HALF INTERNATIONAL (ACCOUNTTEMPS AND OFFICE TEAM); STAFFING SOLUTIONS; TEMP SYSTEMS, INC.; AND TRINITY CONTRACTING SERVICES CO., LLC, FOR FURNISHING AS NEEDED TEMPORARY EMPLOYMENT SERVICES FOR FISCAL YEAR 2014 IN THE ESTIMATED AMOUNT OF \$225,000.00.

WHEREAS, the City issued a Request for Proposals (RFP) for as needed temporary employment services for clerical/office and general labor positions during Fiscal Year 2014; and

WHEREAS, eight (8) of the ten (10) proposals were responsive to the RFP for clerical/office and/or general labor temporary workers; and

WHEREAS, the City Manager recommends awards be made to the eight (8) responsive companies for as needed temporary employment services.

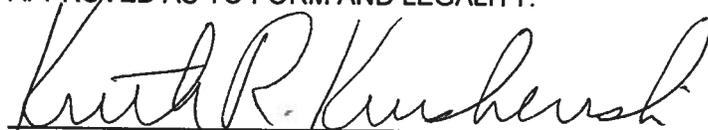
NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF OAK RIDGE, TENNESSEE:

That the recommendation of the City Manager is approved and awards are hereby made to Alternate Staffing Inc., Knoxville; Atwork Solutions, Inc., Knoxville; Express Employment Professionals, Knoxville; First Place Finish, Oak Ridge; Robert Half International (Accountemps and Office Team), Knoxville; Staffing Solutions, Oak Ridge; Temp Systems, Inc., Knoxville; and Trinity Contracting Services Co., LLC, Oak Ridge, for furnishing as needed temporary employment services for Fiscal Year 2014, in the estimated amount of \$225,000.00.

BE IT FURTHER RESOLVED that the Mayor and/or City Manager are hereby authorized to execute the appropriate legal instruments to accomplish the same.

This the 9th day of September 2013.

APPROVED AS TO FORM AND LEGALITY:



Kenneth R. Krushenski, City Attorney

Thomas L. Beehan, Mayor

Diana R. Stanley, City Clerk

**PUBLIC WORKS DEPARTMENT MEMORANDUM
13-25**

DATE: August 29, 2013
TO: Mark S. Watson, City Manager
FROM: Gary M. Cinder, P.E., Director of Public Works

SUBJECT: SITE SELECTION FOR EQUALIZATION BASINS

Introduction

An item for City Council's consideration is the endorsement of site locations for the three equalization basins to be constructed in accordance with the submitted and approved Remediation Plan for the EPA Administrative Order (CWA-04-2010-4772) received by the City of Oak Ridge in September 2010.

Funding

There is no funding required for the endorsement of the site locations for the equalization basins. Funding for the construction of the basins will be provided by the SRF loans and the approval of the allocation of that funding will be requested with the construction contract.

Background

The EPA Administrative Order (AO) requires the City to eliminate sanitary sewer overflows (SSOs) by September 2015. After studying the sewer system, a component for eliminating SSOs is the construction of three equalization basins which are prestressed concrete tanks used to hold the flow of the sewer system after significant rainfall. The equalization basins must be located in strategic areas that meet specific criteria, such as where two force mains intercept. Staff also sought land that is not currently on the tax rolls.

Construction of the equalization basins will take approximately thirteen months. The final design of the basins cannot begin until the sites are selected. The construction of the basins will be funded by the SRF loan which requires two reviews (prebid and post award by City Council) with a minimum of a total of eight weeks for the reviews. Below is a summary of the current schedule for the equalization basins.

| | |
|---|----------------|
| Authorize Final Design (Sites Selected) | September 2013 |
| Submittal of Plans and Specifications to SRF | January 2014 |
| Approval of Plans and Specifications from SRF | February 2014 |
| Construction Bids Open | March 2014 |
| Recommend Construction Contract to City Council | April 14, 2014 |
| Submittal of Award Package to SRF | April 2014 |
| Recommend Construction Contract to City Council | April 14, 2014 |
| Approval of Award Package from SRF | June 2014 |
| Begin Construction | July 2014 |
| Complete Construction | September 2015 |

The final schedule cannot be developed until the sites are selected for the basins. A delay in the site selection will cause a delay with the other required activities and the City will be in jeopardy of not meeting the AO deadline of September 2015.

Analysis

The staff is recommending three locations for placement of the required equalization basins. Each basin was strategically located to minimize cost and best work with existing infrastructure and its surroundings. Each tank is to be constructed of prestressed concrete. These locations were discussed at the Council Work Session on August 26. At that work session, several other options were mentioned. The particulars associated with the original sites and the options considered for each site are summarized below.

East Plant Tank

This tank is proposed to be located on the site of the former east wastewater treatment plant and current location for the east plant pumping station off Cairo Road. It is planned to be 2 million gallons in volume, 22 feet in height by 125 feet in diameter. Preliminary geotechnical exploration revealed suitable soils for the tank foundation. The estimated cost for the tank alone is \$586,000 for an uncovered tank. Adding a domed cover adds approximately \$200,000 to this cost and is not being recommended. An aerial view of the approximate tank location is attached.

Emory Valley Tank

The location of this tank received significant interest and discussion at the work session with two slightly different options to be reported here.

Option A

This tank is proposed to be located on the eastern end of the County-owned Daniel Arthur Center on Emory Valley Road. It is planned to be 2 million gallons in volume, 27 feet in height and 125 feet in diameter. This tank is proposed to have a domed cover. It is adjacent to the two major pressure mains that will be incorporated into the equalization system. Preliminary geotechnical exploration revealed suitable subsurface conditions to support the tank foundation with rock encountered approximately three feet below the surface. The estimated cost for this tank alone is \$810,000. This site was chosen to avoid the large elm tree nearby, as well as, avoid the heavily wooded area to the rear as it is a much wetter area with a drainage conveyance running through it and likely less suitable soils for a foundation. An aerial view of this option is attached.

In evaluating this site, it was determined that removal of the soils above the rock below would allow the tank to be dropped approximately three feet. Discussion by some council members indicated the desire to consider the cost to blast, excavate and remove the subsurface rock in order to evaluate the value of lowering the tank even further. The cost estimate for this effort is approximately \$53,000 per vertical foot of depth to remove the rock. This cost includes blasting, excavating, loading into dump trucks and hauling the rock to an unspecified spoil site within a five mile radius. Each foot would produce 80 truckloads of rock and given the weight, the roads traversed by these trucks would likely be significantly damaged necessitating repair and resurfacing upon completion of the work. This cost is not included in the estimate but would be considerable. Additionally, depending on the depth of bury desired, an access road would be needed for the trucks and equipment to go in and out of the hole, similar to a quarry operation. It is doubtful sufficient land is available to construct such a road and no cost for this is included.

Option B

This location is a minor modification to Option A, essentially moving the tank to the far eastern edge of the same property. It would be the same size and likely have similar subsurface characteristics. This location would eliminate the small stormwater detention pond to the rear, but it is anticipated this lost storage volume could be captured with minor site reconfiguration and little cost is anticipated. This location would cause the removal of the large elm tree currently on the property, but would reduce the amount of the existing parking lot needed to be removed. For purposes of making a decision, this option can be considered cost neutral.

Illinois Tank

There was much discussion about this site as well and two options are included here.

Option A

This option sites the tank on city-owned land at the northwest corner of Illinois Avenue and Scarboro Road. The land is a remnant from the Illinois widening project and has the dead end Scarboro Lane running behind it. This tank is a 1 million gallon tank approximately 18 feet high by 115 feet in diameter with a dome cover. Due to its location and visibility from the nearby streets, the height was minimized allowing for a lower but wider than optimal tank. The estimated cost for this tank alone is \$600,000. The gravity sewer interceptor runs behind the adjacent car wash and an easement would be needed for the pumping and piping associated with the project. Preliminary geotechnical exploration revealed good subsurface foundation material. An aerial site plan of this location is included as well as a photo of the expected view of this tank from the vantage point of the island in front of the Y-12 credit union. This view was requested by Council after reviewing the photos presented in the work session packet. Due to the drop in elevation from Illinois to Scarboro Lane, a good portion of the tank would be obscured.

Option B

During public conversation regarding this project, the owner of the nearby car wash, Mr. Terry Mullins, indicated he would be interested in selling the site for this project. Councilman Hensley brought this concept to the staff for consideration. Mr. Mullins indicated his initial asking price was \$125,000. In evaluating this option it was clear, moving the tank closer to the car wash site would lessen the visual impact from the nearby major streets. Given this reduction in impact, the tank vendor was consulted about the economies of constructing a slightly smaller diameter but taller tank since the tank proposed in option A was less than optimal to reduce its height. A 100 foot diameter tank would then be five feet taller for a total height of 22 feet, a more optimal shape for construction. The cost would be approximately \$100,000 less than that for option A. This could help to offset the purchase price for the car wash potentially making this option cost neutral. Keeping the tank to the front of the carwash would likely keep subsurface soils consistent with those found for Option A. Of course the original tank could also be built using this site resulting in an additional cost to purchase the car wash. An aerial site plan and a photo from the credit union property shows this arrangement.

A number of sites were considered for the Emory Valley tank, but dismissed for a variety of reasons. A list of sites and the major issues with each site is attached.

As with all the sites, the cost estimates are for the tanks only, the associated pumps, pipes, electric and electronic components etc., would be common for any of the particular options and were not included in the discussion. Final estimates for the entire project cannot be developed until well into the design process once sites are selected.

All tanks will be designed with economy, efficiency and esthetics in mind. Paint and landscaping will be used to ease the visual impacts wherever possible. It has been mentioned that Knoxville Utility Board, KUB, has a large equalization tank located on Gallaher View Road behind the Sams's and Walmart property in the midst of significant residential development. This tank has a volume larger than that proposed for our biggest tanks at a total of 3.5 million gallons. Significant screening and landscaping was used to hide the tank. They also had to contend with poor soil conditions. Our understanding is the total cost for this tank with the ancillary items was \$10 million. A photo of that tank is attached. Also, a photo of a stand of mature Leland Cypress trees here in Oak Ridge is also attached to show the screening capabilities. Landscaping berms placed strategically around the tanks will further reduce the visual impact.

As has been repeated often, the EPA mandated schedule for compliance with the Administrative Order is onerous. It is important that design of all three basins be underway and it is critical to understand that all three are to function as one system to help stop the sewer overflows, delay of any single basin delays the

entire project. A separate resolution for each tank site is being presented with the recommendation that three sites will be released to begin final design. Failing that, design would immediately begin on the site(s) approved recognizing meeting the overall schedule may be in jeopardy. It is recommended that should Council fail to approve a site that we obtain specific directions as to what information is required to obtain approval in order to minimize further delay to the project.

Recommendation

The design, bid and construction of the three equalization basins cannot begin until the sites for the basins have been selected. City staff has also provided information concerning options for the alternate placement of the basins on two of the sites. Staff recommends approval of the resolutions endorsing each individual site for the equalization basins located at the East Plant, Emory Valley Option A and Illinois Option A.

Attachment(s)

East Plant Tank, Emory Valley A, Emory Valley B, Illinois A, Illinois A photo, Illinois B, Illinois B photo, List of sites, KUB Tank photo, Leland Cyprus photo.



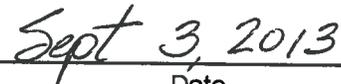
Gary M. Cinder, P.E.

City Manager's Comments:

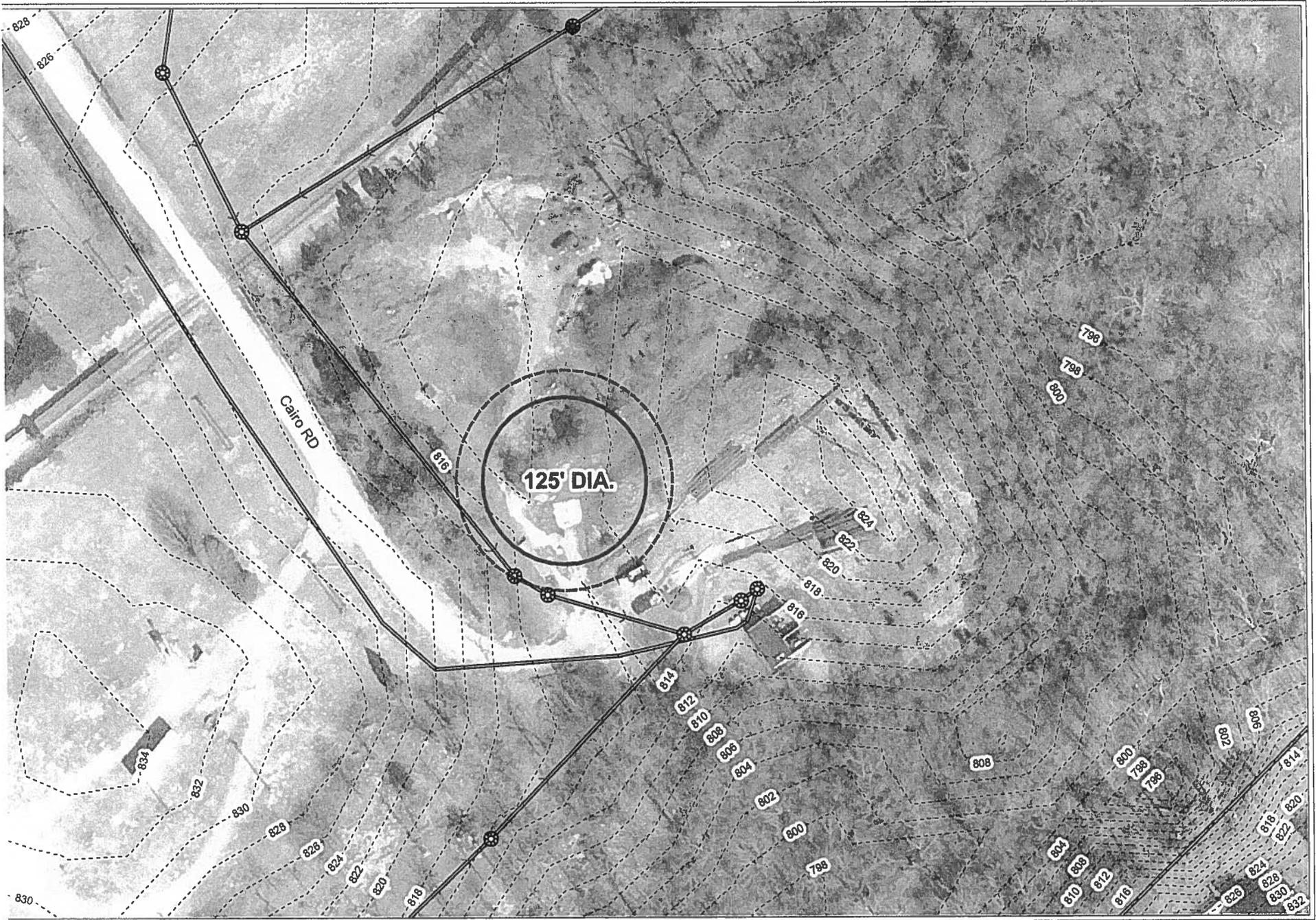
I have reviewed the above issue and recommend Council action as outlined in this document.



Mark S. Watson



Date



— EQ Basin — SewerLine
 - - - - Contour - 2 ft. — ForceMain

City of Oak Ridge

East Plant EQ Basin

1 inch = 100 feet





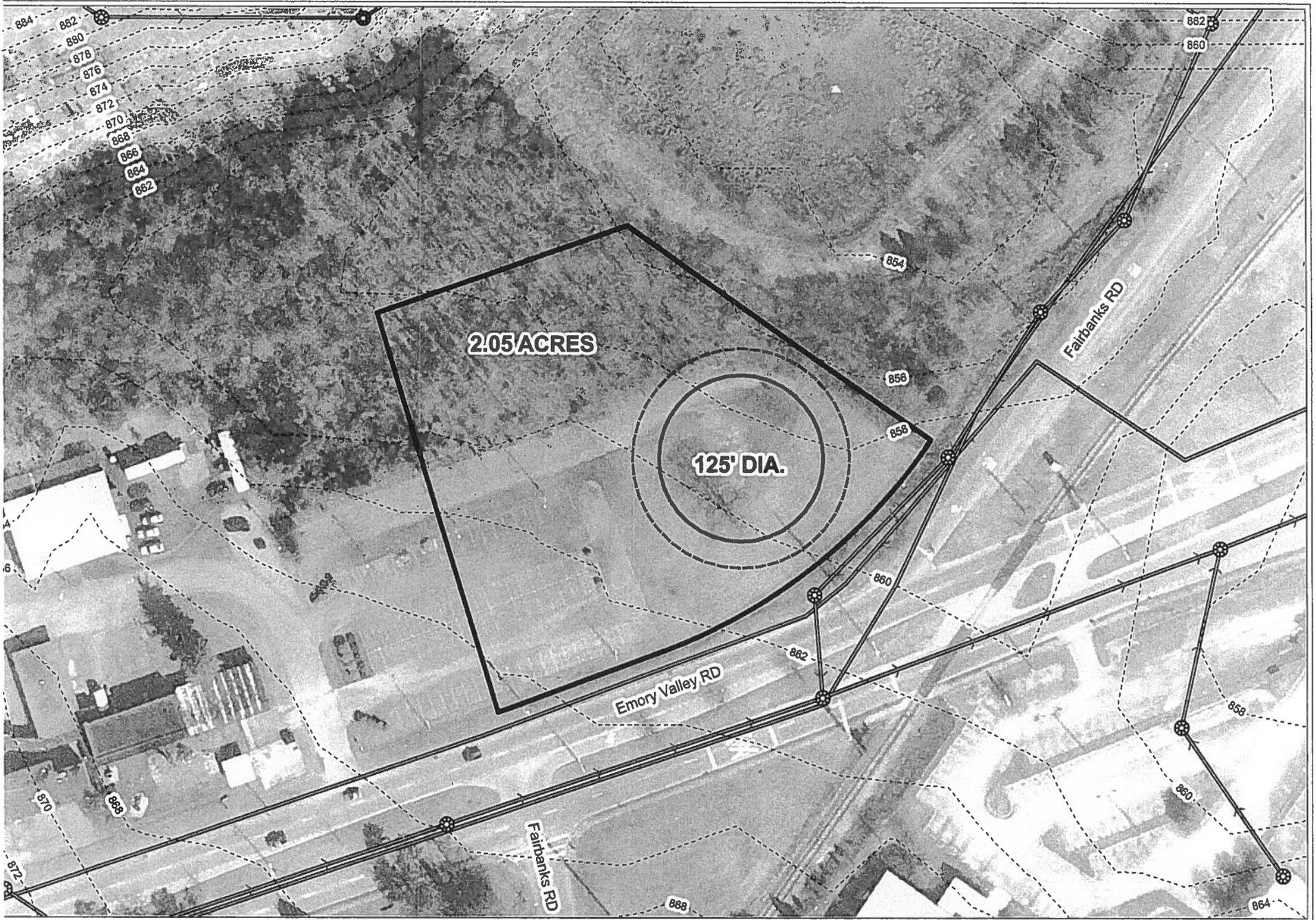
— EQ Basin — SewerLine
 - - - Contour - 2 ft. — ForceMain

City of Oak Ridge

Emory Valley EQ Basin - Site A

1 inch = 100 foot





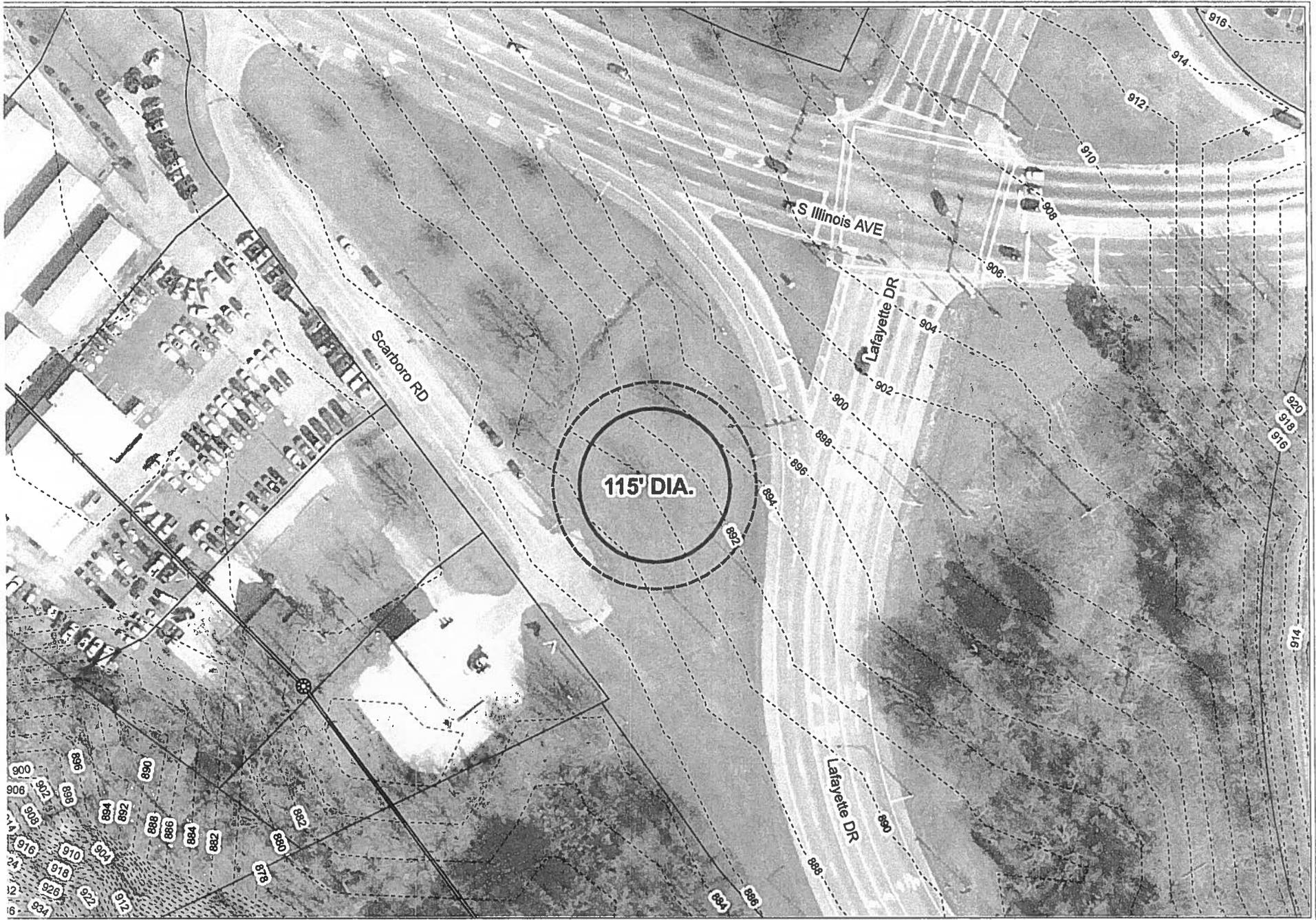
- EQ Basin
- SewerLine
- - - Contour - 2 ft.
- ForceMain

City of Oak Ridge

Emory Valley EQ Basin - Site B

1 inch = 100 foot





- EQ Basin — SewerLine
- - - - Contour - 2 ft. — ForceMain
- Parcels

City of Oak Ridge

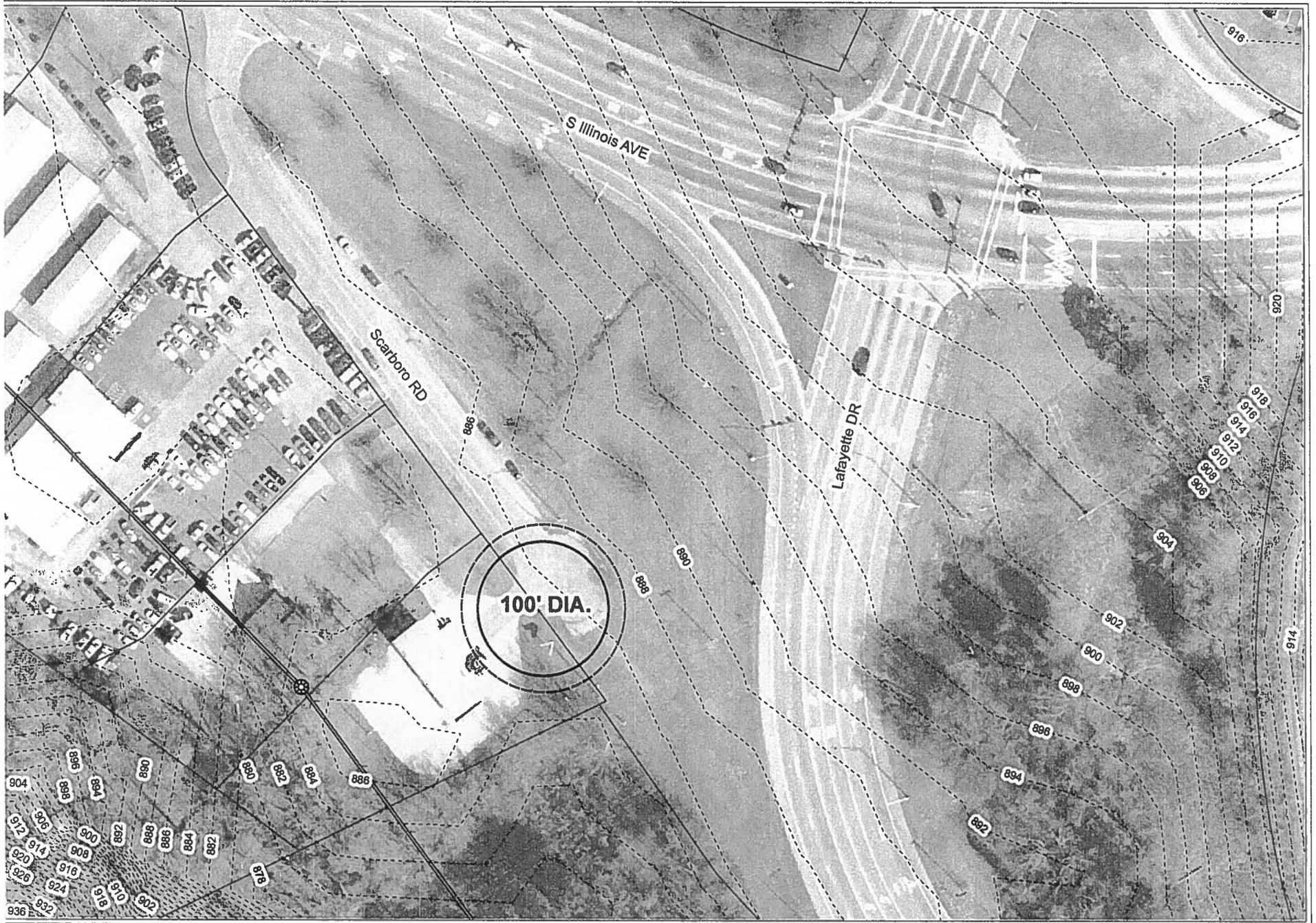
Illinois EQ Basin - Site A

1 inch = 100 feet





ILLINOIS EQ BASIN – SITE A



EQ Basin SewerLine
 Contour - 2 ft. ForceMain

City of Oak Ridge

Illinois EQ Basin - Site B

1 inch = 100 feet





ILLINOIS EQ BASIN - SITE B

OTHER SITES CONSIDERED and dismissed-Emory Valley Tank

Disc golf course

- City owned land
- Major tree removal/ loss of many golf holes
- Higher elevation=hydraulic impacts +\$250,000
- West bound EVR open cut with road closures +\$25,000

Carl Yearwood

- City owned land
- Underground flat top tank considered/field replaced on top
- Field would be out of service at least one year
- Columns needed to support flat roof makes cleaning tank after wet weather events very problematic
- Significant excavation and tank construction +\$2,000,000
- West bound EVR open cut with road closures +\$25,000

Pathway Bellows Triangle

- Private land/price unknown
- Former industrial site/environmental due diligence required prior to purchase
- Higher elevation=hydraulic impacts +\$250,000
- Full open cut crossings with road closure required on Emory Valley Road +\$50,000
- Significant utility conflicts

Fairbanks Triangle

- City owned land
- Permanent closure of Fairbanks required for tank
- Very tight fit, may require higher tank smaller diameter
- Full open cut crossings with road closure required on Emory Valley Road +\$50,000
- Significant utility conflicts

Briarcliff/Emory Valley Triangle

- Private land/price unknown
- Extremely high visibility at major intersection
- Involves a railroad ROW crossing

Barker site (west of EVC below Pathway Bellows)

- Private land/price unknown
- Unknown suitability of significant fill material
- Full open cut crossings with road closure required on Emory Valley Road +\$50,000
- Higher elevation=hydraulic impacts +\$250,000
- Significant utility conflicts

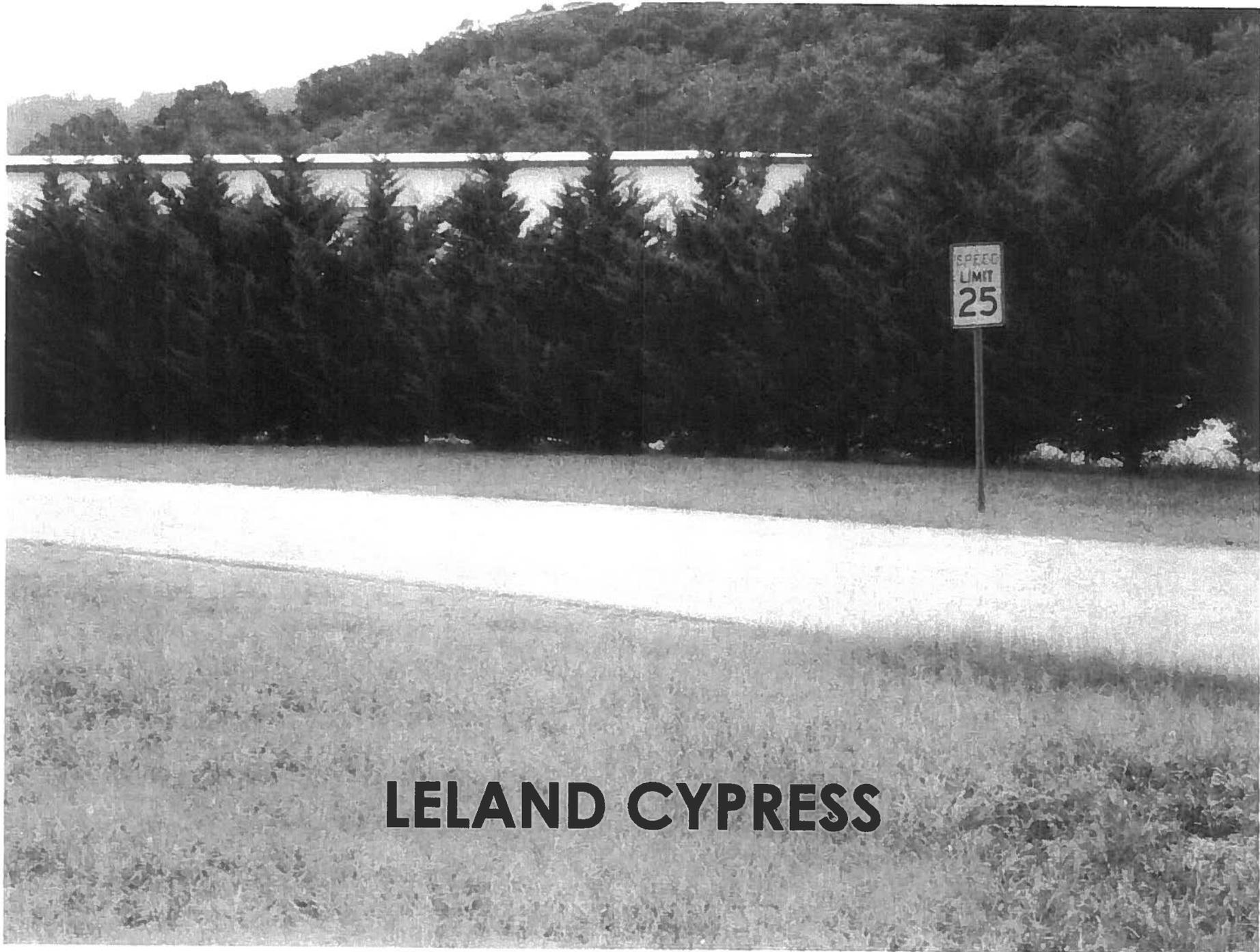
Paragon Building

- Private land/price unknown
- Involves a railroad ROW crossing
- Major building demolition-cost unknown
- Significant utility conflicts
- Full open cut crossings with road closure required on Emory Valley Road +\$50,000
- Immediately adjacent to two large residential properties

KUB EQ BASIN

08/28/2013 08:18





LELAND CYPRESS

RESOLUTION

A RESOLUTION TO SELECT A SITE LOCATION FOR A NEW EQUALIZATION BASIN (EAST PLANT EQ BASIN) TO BE CONSTRUCTED BY SEPTEMBER 2015.

WHEREAS, the City is under an Administrative Order with the United States Environmental Protection Agency (EPA) which requires the City to eliminate sanitary sewer overflows by September 2015; and

WHEREAS, a component for eliminating sanitary sewer overflows is the construction of three equalization basins to hold the flow of the sewer system after significant rainfall; and

WHEREAS, City Staff reviewed available sites that meet specific criteria for the equalization basins and recommends site locations taking into consideration costs and existing infrastructure; and

WHEREAS, City Staff recommends the East Plant Pumping Station for an equalization basin (also known as East Plant EQ Basin); and

WHEREAS, site location is the first step in the design process; and

WHEREAS, the City Manager recommends approval of site location for East Plant EQ Basin.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF OAK RIDGE, TENNESSEE:

That recommendation of the City Manager is approved and the site location for an equalization basin is hereby designated on Cairo Road at the East Plant Pumping Station which is City-owned property, as shown on the attached drawing labeled as East Plant EQ Basin.

This the 9th day of September 2013.

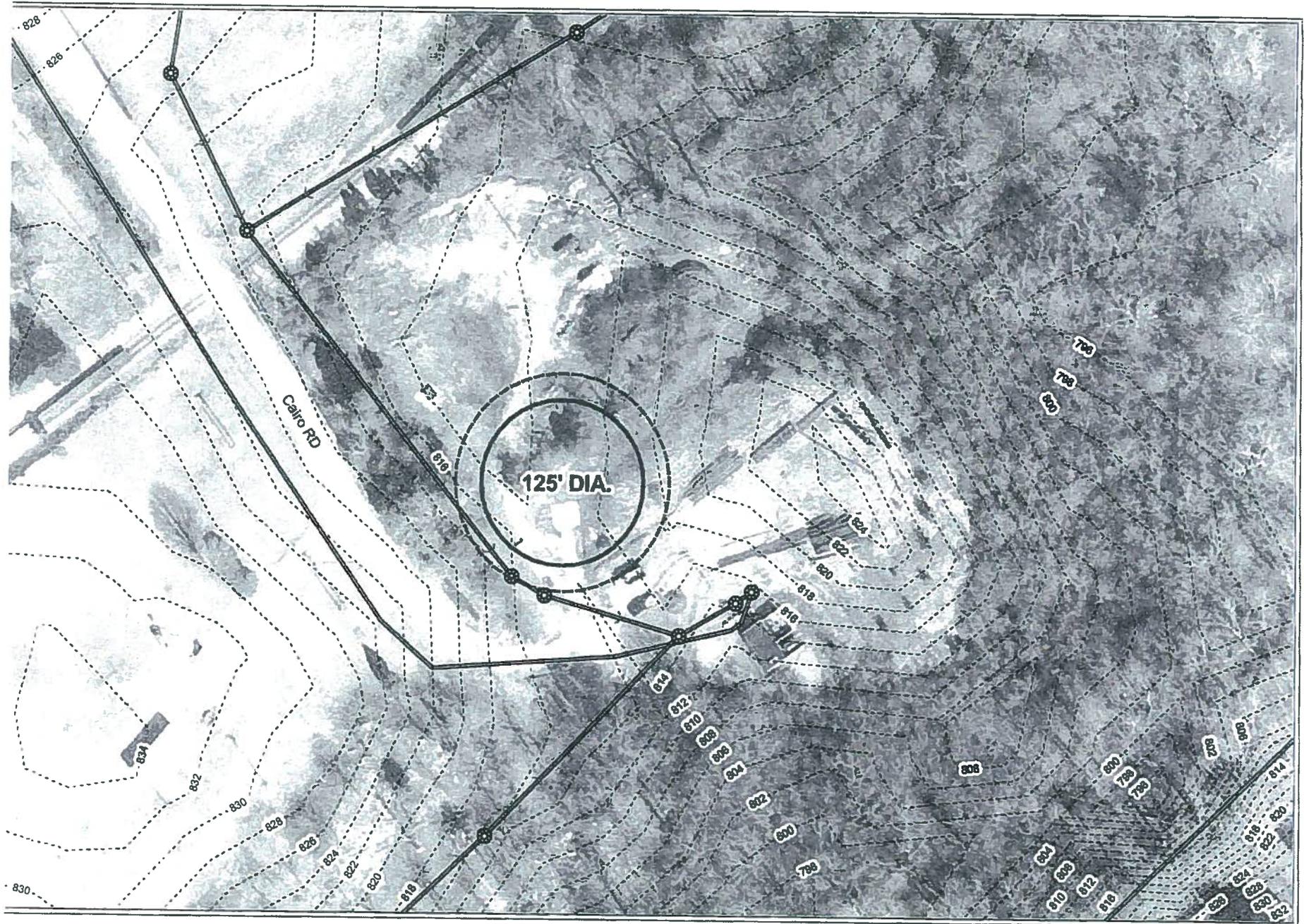
APPROVED AS TO FORM AND LEGALITY:



Ken Krushenski, City Attorney

Thomas L. Beehan, Mayor

Diana R. Stanley, City Clerk



- EQ Basin — SewerLine
- - - Contour - 2 ft. — ForceMain

City of Oak Ridge

East Plant EQ Basin

1 inch = 100 feet



RESOLUTION

A RESOLUTION TO SELECT A SITE LOCATION FOR A NEW EQUALIZATION BASIN (EMORY VALLEY EQ BASIN – SITE A) TO BE CONSTRUCTED BY SEPTEMBER 2015.

WHEREAS, the City is under an Administrative Order with the United States Environmental Protection Agency (EPA) which requires the City to eliminate sanitary sewer overflows by September 2015; and

WHEREAS, a component for eliminating sanitary sewer overflows is the construction of three equalization basins to hold the flow of the sewer system after significant rainfall; and

WHEREAS, City Staff reviewed available sites that meet specific criteria for the equalization basins and recommends site locations taking into consideration costs and existing infrastructure; and

WHEREAS, City Staff recommends the eastern end of the Daniel Arthur Rehabilitation Center property for an equalization basin (also known as Emory Valley EQ Basin – Site A); and

WHEREAS, site location is the first step in the design process; and

WHEREAS, the City Manager recommends approval of site location for Emory Valley EQ Basin – Site A.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF OAK RIDGE, TENNESSEE:

That recommendation of the City Manager is approved and the site location for an equalization basin on Emory Valley Road is hereby designated at the eastern end of the Daniel Arthur Rehabilitation Center which is owned by Anderson County, as shown on the attached drawing labeled Emory Valley EQ Basin – Site A.

BE IT FURTHER RESOLVED that City Manager is authorized to contact Anderson County regarding acquisition of property necessary for the equalization basin.

This the 9th day of September 2013.

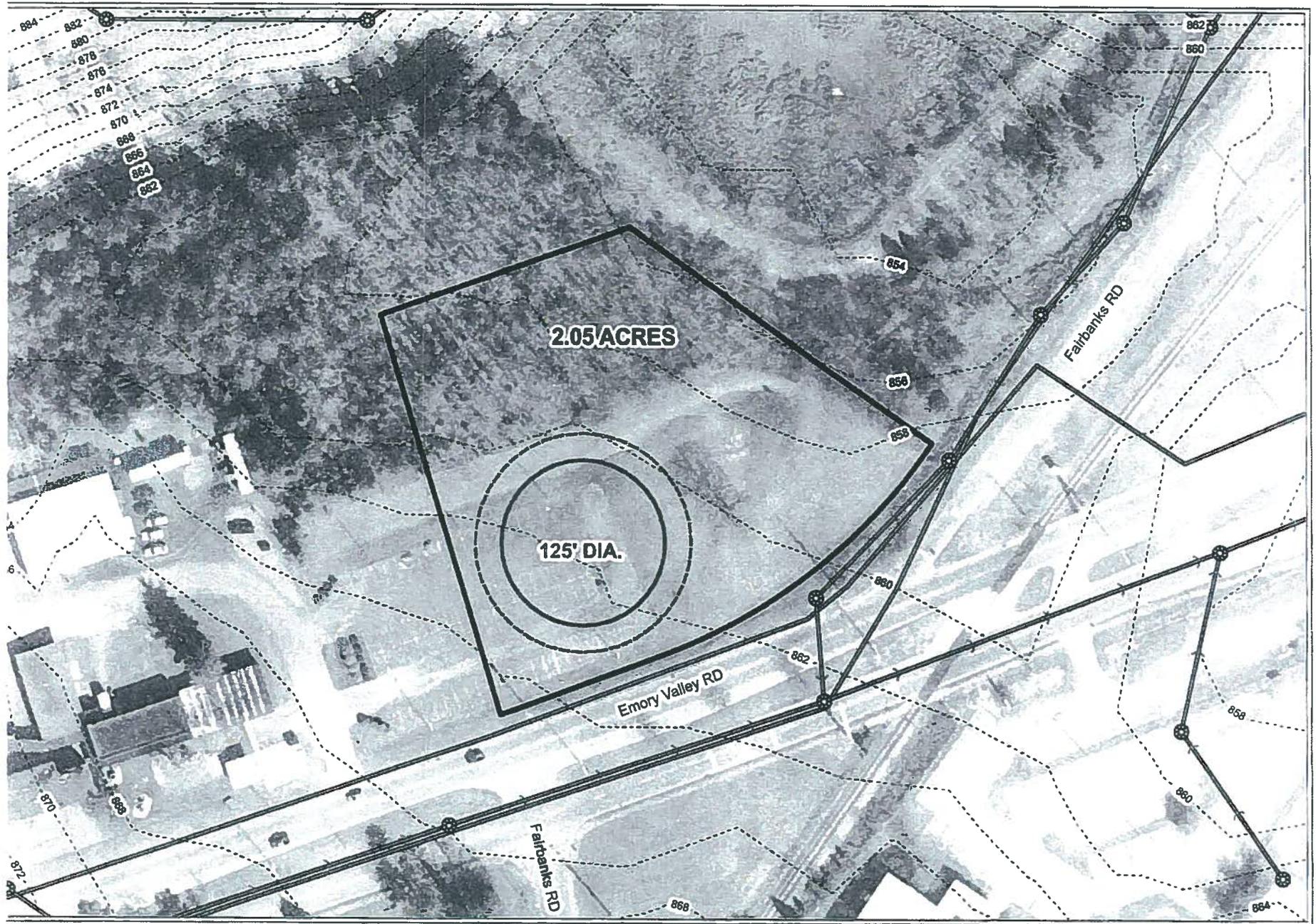
APPROVED AS TO FORM AND LEGALITY:



Ken Krushenski, City Attorney

Thomas L. Beehan, Mayor

Diana R. Stanley, City Clerk



City of Oak Ridge
Emory Valley EQ Basin - Site A

1 inch = 100 feet



- EQ Basin — SewerLine
- - - Contour - 2 ft. — ForceMain

RESOLUTION

A RESOLUTION TO SELECT A SITE LOCATION FOR A NEW EQUALIZATION BASIN (ILLINOIS EQ BASIN – SITE A) TO BE CONSTRUCTED BY SEPTEMBER 2015.

WHEREAS, the City is under an Administrative Order with the United States Environmental Protection Agency (EPA) which requires the City to eliminate sanitary sewer overflows by September 2015; and

WHEREAS, a component for eliminating sanitary sewer overflows is the construction of three equalization basins to hold the flow of the sewer system after significant rainfall; and

WHEREAS, City Staff reviewed available sites that meet specific criteria for the equalization basins and recommends site locations taking into consideration costs and existing infrastructure; and

WHEREAS, City Staff recommends the northwest corner of Illinois Avenue and Scarboro Road for an equalization basin (also known as Illinois EQ Basin – Site A); and

WHEREAS, site location is the first step in the design process; and

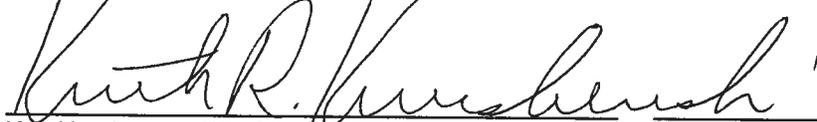
WHEREAS, the City Manager recommends approval of site location for Illinois EQ Basin – Site A.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF OAK RIDGE, TENNESSEE:

That recommendation of the City Manager is approved and the site location for an equalization basin on Illinois Avenue is hereby designated as the northwest corner of Illinois Avenue and Scarboro Road which is City owned property, as shown on the attached drawing labeled Illinois EQ Basin – Site A.

This the 9th day of September 2013.

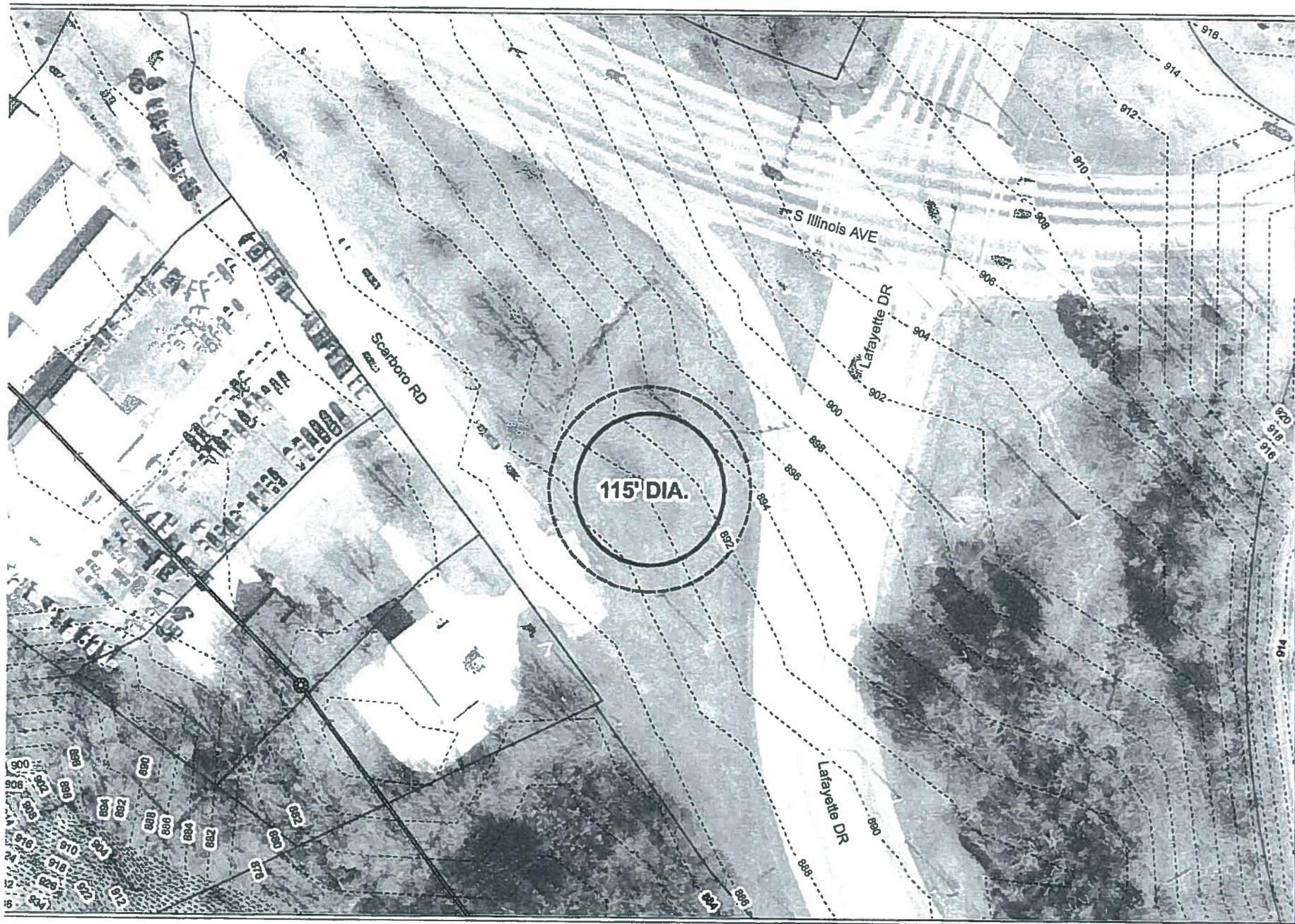
APPROVED AS TO FORM AND LEGALITY:



Ken Krushenski, City Attorney

Thomas L. Beehan, Mayor

Diana R. Stanley, City Clerk



- EQ Basin — SewerLine
- - - Contour - 2 ft. — ForceMain
- Parcels

City of Oak Ridge

Illinois EQ Basin - Site A

1 inch = 100 feet



FINANCE DEPARTMENT MEMORANDUM

13-22

DATE: September 2, 2013
TO: Mark S. Watson, City Manager
FROM: Janice E. McGinnis, Finance Director
SUBJECT: ELECTRIC RATE ADJUSTMENT

Introduction

An item for City Council's consideration is a resolution authorizing a contract amendment between the City of Oak Ridge and the Tennessee Valley Authority (TVA) to establish new rates for the City's electric system effective with the October 1, 2013 utility billings. The rate increase is approximately 2.63% and is comprised of a 1.5% pass-through increase from TVA and a 1.13% inflationary increase for the City.

Review

TVA is increasing the price for wholesale power to its distributors, which includes the City of Oak Ridge, by an average of 1.5% effective with the power invoice billing for the month of October 2013. The City cannot absorb this rate increase and it must be passed onto the City's electric customers. TVA's last wholesale rate increase was in October 2011.

The proposed rate adjustment provides for an additional 1.13% inflationary factor to fund the City's costs for capital, maintenance and operation of the electric system. Like the waterworks system, declining consumption from weather, conservation and lack of system growth has hampered Electric system revenue generation. Without system revenue growth, inflationary rate increases will be necessary to maintain sufficient cash levels to operate and maintain the infrastructure of the Electric system. In January 2013, Standard and Poor's upgraded the City's Electric Revenue Bond rating from A- to A. One of the primary factors for the rate increase was a stabilization of the City's historically low operating cash reserve levels. Operating cash continues to be at minimal levels and a rate increase is necessary to maintain cash to operate the system. The last inflationary rate increase was approximately 1.9% effective October 1, 2010.

Outlined below is a history of the electric rate increases for the past 24 years related to City costs for capital, maintenance and operation of the electric system.

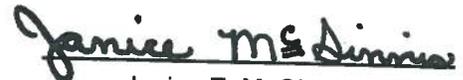
| | |
|------------|------|
| 10/01/2010 | 1.9% |
| 04/01/2008 | 3.0% |
| 10/01/2005 | 1.0% |
| 11/01/2004 | 2.0% |
| 05/01/2000 | 5.1% |
| 10/01/1997 | 2.8% |
| 05/01/1994 | 2.1% |
| 06/01/1992 | 2.0% |
| 01/02/1989 | 2.2% |

The monthly electric bill for the average residential household that uses 1055 kWh will increase by \$3.60. The monthly electric bill for the average small commercial customer that uses 1800 kWh will increase by \$5.33.

Electric rates will continue to fluctuate monthly due to the monthly fuel cost adjustment (FCA) factor to the wholesale rates to distributors like the City by TVA. The total monthly fuel cost is a variable energy rate that is calculated every month by TVA as generation fuel costs and the cost of power that TVA buys from other suppliers rise and fall. The total monthly fuel cost can increase or decrease depending on those differences. It is charged on every kilowatt-hour of electricity a consumer uses. The FCA adjustment for Oak Ridge residential customers for September 2013 was 2.107 cents per kilowatt-hour of electricity used.

Recommendation

As Council is aware, the electric utility operations derive their revenue based solely from the user fees and are not supported through the general taxing powers of the City. As such, rate adjustments are the primary method by which the continued integrity of the utility operations can be maintained. Staff recommends approval of the attached resolution.


Janice E. McGinnis

City Manager's Comments:

I have reviewed the above issue and recommend Council action as outlined in this document.


Mark S. Watson


Date

RESOLUTION

A RESOLUTION TO AMEND THE POWER CONTRACT WITH TVA IN ORDER TO ESTABLISH NEW WHOLESALE AND RESALE RATE SCHEDULES EFFECTIVE WITH THE OCTOBER 1, 2013 UTILITY BILLINGS.

WHEREAS, the City of Oak Ridge is a distributor of electric power purchased from the Tennessee Valley Authority (TVA) under an agreement known as the Power Contract (TV-54097A); and

WHEREAS, TVA is increasing the price for wholesale power to its distributors, which includes the City of Oak Ridge, effective with the October 1, 2013 utility billings; and

WHEREAS, a rate increase is necessary in order to recover the wholesale rate increase from TVA and to assure the financial integrity of the Electric Fund; and

WHEREAS, TVA has submitted an agreement to amend the Power Contract to incorporate the new wholesale and resale rate schedules, which agreement is recommended by the City Manager.

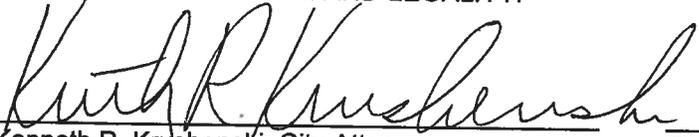
NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF OAK RIDGE, TENNESSEE:

That the recommendation of the City Manager is approved and the City is hereby authorized to execute an agreement to amend the Power Contract (TV-54097A) with the Tennessee Valley Authority to incorporate the new wholesale and resale rate structures effective with the October 1, 2013 utility billings.

BE IT FURTHER RESOLVED that the Mayor is hereby authorized to execute the appropriate legal instruments to accomplish the same.

This the 9th day of September 2013.

APPROVED AS TO FORM AND LEGALITY:



Kenneth R. Krushenski, City Attorney

Thomas L. Beehan, Mayor

Diana R. Stanley, City Clerk

**PUBLIC HEARINGS
AND
FIRST READING OF
ORDINANCES**

PERSONNEL MEMORANDUM
13-109

DATE: August 26, 2013
TO: Mark S. Watson, City Manager
FROM: Penelope H. Sissom, Personnel Director
SUBJECT: PERSONNEL PLAN/ORDINANCE AMENDMENTS – COMPENSATION PHILOSOPHY AND POLICY; BONUSES; PROMOTIONS AND GRIEVANCE PROCEDURE

An item for the City Council agenda is an ordinance to amend the Personnel Plan/Ordinance in order to update certain sections of the document to provide clarification of the definition of compensation philosophy and policy; specify service requirements for promotion eligibility; add a new section on bonuses; and provide a totally revised Grievance Procedure.

The following sections of Personnel Plan/Ordinance are proposed to be amended:

ARTICLE 5 – PAY PLAN; Section 5.1 – COMPENSATION PHILOSOPHY AND POLICY

As proposed, this section modifies the existing section by eliminating phrases that were confusing to employees and emphasizes that the City's compensation plan is designed to be comparable to the existing recruiting area. Some employees were interpreting this section as the basis of a grievance when comparing their salaries with those of other employees. The old section also addressed the use of a merit system in influencing employee performance. Unfortunately, the City Budget has contained no money for merit increases for employees since FY 2008. The last merit increases were granted effective July 1, 2007. Listed below is the salary history since then with the percentage of adjustment applicable to all employees regardless of level and quality of performance:

July 3, 2008 – 2.00% salary adjustment
July 12, 2009 -- 1.00% salary adjustment
July, 2010 – No increase
June 26, 2011 – 2.00% Salary adjustment
July 8, 2012 – 1.50% Salary adjustment + additional holiday
July 7, 2013 – 1.00% Salary adjustment

ARTICLE 6 – HOURS OF WORK, OVERTIME AND PREMIUM COMPENSATION – Section 6.11 – BONUSES

This is a new section that is provided in order to recognize outstanding employee performance. As indicated above, even though the City Charter requires a merit system, the City has not had sufficient funding to implement a true merit system in several years. However, an aspect of merit is built into the longevity pay program and performance evaluation/merit would certainly be a consideration in the case of layoff and/or reorganization. Implementation of this new section would be dependent on the availability of funds. For this reason, the Personnel Advisory Board did not specify a cap on either the number of bonuses that could be granted each fiscal year or the amount of a bonus.

ARTICLE 7 – RECRUITMENT, SELECTION AND APPOINTMENT OF EMPLOYEES – Section 7.3 b Promotion

One way the City fills any vacancies is through promotion of existing employees. The only change in this section is to clarify that employees will not be eligible for promotion until they have completed probation in

their current job. This would be twelve months in a position for public safety employees and six months, for all other employees. For example, a new employee would not be eligible for promotion until the completion of the initial probationary period. Likewise, a current recently promoted employee would not be eligible for a subsequent promotion until completion of the employee's current probationary period.

ARTICLE 10 – GRIEVANCE PROCEDURE

This Article has been rewritten in its entirety since it has not been changed since the original Personnel Plan/Ordinance was adopted. The revision simplifies the Grievance Procedure by adding needed definitions, specifying time limits on each step of the process and providing for action on an employee grievance if the Department Head or the City Manager should be absent for an extended period of time. The revision further clarifies the Personnel Advisory Board's involvement in grievances as well as spells out when a grievance is considered abandoned. This revision still retains the provisions for group grievances and assistance with grievances from most other employees.

Some of the suggested modifications are as a result of grievances filed by employees in the past that the Personnel Advisory Board has heard. The Board met on July 23, 2013 and August 9, 2013 and carefully reviewed the staff's wording and justification and made minor modifications in the suggested changes. The members present at the August 9, 2013 meeting unanimously approved all four amendments.

If City Council approves these revisions in the Personnel Plan/Ordinance, it will also be necessary for the City Council to approve revised By-Laws for the Personnel Advisory Board due to changes in the Grievance Procedure.

The City Manager and staff recommend approval of the attached ordinance.

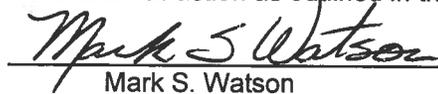


Penelope H. Sissom

Attachment

City Manager's Comments:

I have reviewed the above issue and recommend Council action as outlined in this document.


Mark S. Watson

8/30/13
Date

TITLE

AN ORDINANCE TO AMEND ORDINANCE NO. 27-85, TITLED "A PERSONNEL PLAN FOR EMPLOYEES OF THE CITY OF OAK RIDGE, TENNESSEE," AS AMENDED, BY DELETING SECTION 5.1, TITLED "COMPENSATION PHILOSOPHY AND POLICY," AND SUBSTITUTING THEREFOR A NEW SECTION 5.1 TITLED "COMPENSATION PHILOSOPHY AND POLICY"; BY ADDING A NEW SECTION 6.11, TITLED "BONUSES"; BY DELETING SUBSECTION B OF SECTION 7.3, TITLED "APPOINTMENTS," AND SUBSTITUTING THEREFOR A NEW SUBSECTION B; AND DELETING ARTICLE 10, TITLED "GRIEVANCE PROCEDURE," IN ITS ENTIRETY AND SUBSTITUTING THEREFOR A NEW ARTICLE 10, TITLED "GRIEVANCE PROCEDURE," ALL FOR THE PURPOSE OF UPDATING THE PERSONNEL PLAN.

WHEREAS, the City desires to clarify the pay plan's compensation philosophy and policy, add a new section on bonuses, specify service requirements for promotion eligibility, and revise the grievance procedure; and

WHEREAS, the Personnel Advisory Board at its July 23, 2013 and August 9, 2013 meetings reviewed the proposed amendments to the Personnel Plan and unanimously recommended their adoption; and

WHEREAS, the City Manager recommends that the Personnel Plan be amended as set forth below.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF OAK RIDGE, TENNESSEE:

Section 1. Ordinance No. 27-85, titled "A Personnel Plan for Employees of the City of Oak Ridge, Tennessee," Article 5, titled "Pay Plan," is hereby amended by deleting Section 5.1, titled "Compensation Philosophy and Policy," in its entirety, and substituting therefor a new Section 5.1, titled "Compensation Philosophy and Policy," which new section shall read as follows:

5.1 COMPENSATION PHILOSOPHY AND POLICY

The compensation plan is an integral component of the City's overall mission to provide quality, responsive service efficiently and effectively. Further, it is recognized that compensation influences people by (1) offering a salary attractive enough for individuals to seek employment with the City, (2) influencing their performance levels once they are employees, and (3) keeping employees sufficiently rewarded and valued to reduce the potential for losing them to other opportunities.

In order to ensure the employment and retention of personnel necessary to maintain a continued high level of public service, it is the policy of the City that the level of compensation of municipal employees should be compared with prevailing rates in private industry and other governmental agencies in the recruiting area when establishing the compensation plan. When there is clear evidence that the compensation plan should be adjusted in order to meet the policies described above and sufficient funds are available, the City Manager is authorized to include in his budget any recommendation for adjustment to the pay plan which he deems advisable, but such adjustment should be based on the prevailing rates in the recruiting area.

Section 2. Ordinance No. 27-85, titled "A Personnel Plan for Employees of the City of Oak Ridge, Tennessee," Article 6, titled "Hours of Work, Overtime and Premium Compensation," is hereby amended by adding a new Section 6.11, titled, "Bonuses," which new section shall read as follows:

6.11 BONUSES

The City Manager shall have the authority and discretion to award bonuses to employees to recognize outstanding performance. A bonus is an amount of money given to an employee that does not increase an employee's base pay. The total bonus awarded to an employee is at the discretion of the City Manager; however, no employee may receive more than one bonus per fiscal year. No employee is entitled to a bonus and there is no expectation thereof.

A bonus is subject to the normal deductions for Social Security and Federal Income Tax.

Section 3. Ordinance No. 27-85, titled "A Personnel Plan for Employees of the City of Oak Ridge, Tennessee," Article 7, titled "Recruitment, Selection and Appointment of Employees," Section 7.3, titled "Appointments," is hereby amended by deleting Subsection 7.3.b. in its entirety, and substituting therefor a new Subsection 7.3.b., which new subsection shall read as follows:

7.3 APPOINTMENTS

- b. Promotion is the movement of an employee to a position with a higher classification and a higher salary range. Since the City encourages employees to develop skills, attain greater knowledge of their work and make known their qualifications for promotion, a qualified employee shall not be denied the right to apply for promotional opportunity in any City office or department. Employees will not be eligible for promotion until they have completed their probationary periods in the current job.

Section 4. Ordinance No. 27-85, titled "A Personnel Plan for Employees of the City of Oak Ridge, Tennessee," is hereby amended by deleting Article 10, titled "Grievance Procedure," in its entirety, and substituting therefor a new Article 10, titled "Grievance Procedure," which new article shall read as follows:

ARTICLE 10 – GRIEVANCE PROCEDURE

10.1 PURPOSE

It is the desire of the City to reconcile issues informally between the employee and his or her immediate supervisor. However, it is recognized that there will be occasions when employee issues can only be resolved after a formal appeal and review.

10.2 DEFINITIONS

Business Day – A business day is defined as a City working day (Monday through Friday) absent City observed holidays. For Fire Department and Police Department personnel, a business day is still defined as a regular City working day and not department shift days.

Employee – An employee is defined as a regular full-time or part-time employee. The grievance process is not available to temporary or seasonal employees or employees who terminated through retirement, resignation, or removal from initial probation.

Grievance – A complaint by an employee that there has been a violation, misapplication or misinterpretation of existing policies, rules, regulations, laws, or the Personnel Plan/Ordinance, resulting in an adverse personnel action; or a complaint by an employee

that the employee's health or safety has been jeopardized by conditions which should be corrected by the City.

10.3 GRIEVANCE PROCEDURE

An employee is encouraged, but not required, to attempt to resolve any grievance informally with his or her immediate supervisor prior to filling a written grievance.

A. Unresolved Grievances to be brought to the Department Head; Timely Appeals

If informal discussion does not resolve the matter, the affected employee must file a written grievance to the employee's Department Head within ten (10) business days of the cause of the grievance. The grievance must be signed by the employee. The grievance must contain the following information:

1. A clear, concise, and factual statement of the specific perceived wrongful act or harm done;
2. A statement of the specific remedy sought; and
3. A citation of any policies, rules, regulations, or ordinance, the violation of which constitutes the basis of the grievance.

Failure of an employee to comply with the above requirements is a failure of the employee to follow the grievance procedure and is an abandonment of the grievance.

The Department Head or the Department Head's designee has the option of scheduling a meeting with the affected employee to discuss the grievance, or may render a written decision on the grievance and provide the affected employee with a copy of the decision within seven (7) business days of receipt of the grievance. Failure of a Department Head or the Department Head's designee to make and communicate a decision within the specified timeframe shall constitute a denial of the grievance and the relief sought and shall permit the grievance to be appealed to the City Manager.

B. Unresolved Grievances to be brought to the City Manager; Timely Appeals

If an employee's grievance is not resolved at the Department Head level, the affected employee may appeal the grievance to the City Manager by forwarding to the City Manager the original grievance filed with the Department Head along with the Department Head's/designee's response, if any. This appeal must be filed in writing with the City Manager within ten (10) business days of the Department Head's or designee's decision to the employee's grievance (or within ten (10) business days of when the Department Head's/designee's decision was due to the employee) and must be signed by the employee. The City Manager or the City Manager's designee has the option of scheduling a meeting with the affected employee to discuss the grievance, or may render a written decision on the grievance and provide the affected employee with a copy of the decision within ten (10) business days of receipt of the appeal.

If the City Manager's designee is the Department Head of the aggrieved employee, a mutual timeframe will be established for a response from the City Manager on the grievance.

The City Manager's/designee's decision is final for all grievances except suspensions, dismissals, or other perceived adverse personnel actions which may be appealed to the Personnel Advisory Board.

C. Unresolved Grievances Involving Suspensions, Dismissals, or Perceived Adverse Personnel Actions to be brought to Personnel Advisory Board

If an employee's grievance is not resolved at the City Manager level and said grievance involves a suspension, dismissal, or other perceived adverse personnel actions, the employee may appeal the grievance to the Personnel Advisory Board. This appeal must be filed in writing with the Personnel Director (as liaison to the board) within ten (10) business days of the City Manager's/designee's decision. The Personnel Advisory Board will meet at a time convenient to the board members in order to hear the employee's grievance.

By City Charter Article V, Section 25, if in the opinion of the board the procedures established for such personnel action were not complied with, the board shall make decisions that shall be binding on the City. In all other cases, the board shall report its findings and recommendations, which shall be advisory in nature, in writing to the City Manager, and the decision of the City Manager shall be final.

10.4 ABANDONMENT OF GRIEVANCE

An employee's failure to file a grievance within the time specified in this article constitutes as abandonment of the grievance by the employee. The employee's failure to appeal the decision of the Department Head to the City Manager within the time specified in this article shall constitute an abandonment of the grievance by the employee. A grievance may also be terminated at any time by the employee upon receipt of a signed statement from the employee requesting such termination.

10.5 GROUP GRIEVANCES

When three or more employees are aggrieved due to a common cause and the grievances have not been resolved at the Department Head/designee level, those employees may request the City Manager to accept representation of the aggrieved employees by a committee of up to three aggrieved employees when the grievance is appealed to the City Manager.

However, the grievance procedure shall not be used as a means of collectively bringing about changes in wages, hours, or other conditions of employment applicable to other employees.

10.6 ASSISTANCE BY OTHER EMPLOYEES

Aggrieved employees may seek assistance from other employees during any and all steps of the grievance procedure. This assistance, however, may be not requested from the City Manager, Personnel Director, City Attorney, or Senior Staff Attorney.

10.7 PREPARATION OF GRIEVANCE

Employees must use their personal time, not City time, to work on a grievance.

10.8 COERCION

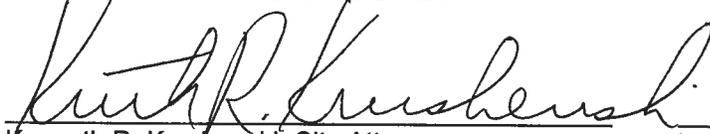
Any attempt on the part of a supervisor to coerce or intimidate an employee in order to prevent participation in the grievance process shall subject that supervisor to disciplinary action.

10.9 JUDICIAL REVIEW

By City Charter Article V, Section 25, employees have the right to common law certiorari to review the action of the Personnel Advisory Board and the City Manager. By City Charter Article V, Section 24, the City has a merit based system not a civil service system, therefore, the Personnel Advisory Board is not a civil service board within the meaning of Tennessee Code Annotated §27-9-114.

Section 5. 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:



Kenneth R. Krushenski, City Attorney

Thomas L. Beehan, Mayor

Diana R. Stanley, City Clerk

First Reading: _____
Publication Date: _____
Second Reading: _____
Publication Date: _____
Effective Date: _____

FINANCE DEPARTMENT MEMORANDUM

13-21

DATE: August 26, 2013
TO: Mark S. Watson, City Manager
FROM: Janice E. McGinnis, Finance Director
SUBJECT: ORDINANCE AMENDMENT TO WATER AND WASTEWATER RATES

Introduction

An item for City Council's consideration is an ordinance amendment to water and wastewater rates. For both water and wastewater, the ordinance amendment includes a rate structure effective January 1, 2014 and a rate structure effective January 1, 2015. The ordinance amendments contain the rates recommended by Chris Mitchell, Management Consultant, based on his recent water and wastewater rate study. The rates for both water and wastewater were last adjusted effective January 1, 2013.

The applicable water and wastewater rate increase percentages are the same across all non-DOE customers with the exception of customers with a 10" meter size. Minimum bill rates for 6", 8" and 10" meter sizes were added to the ordinance. There is currently only one customer with a 10" meter size and no customers with a 6" or 8" meter size. The minimum bill rate for the customer with a 10" meter size was previously billed at the 4" meter rate. All minimum bill user charges include up to the first 2,000 gallons usage.

Water Rate Analysis

The water rates incorporated in the ordinance amendment include a 10% increase effective January 1, 2014 and an 8% increase effective January 1, 2015. The water rate ordinance amendment retains the per gallon tier structure that is incorporated in the current rate structure. Listed below is the summary of the rate changes for the minimum rate bill for the 5/8" meter size and the per thousand gallon rate structure. 94% of all water billings are for the 5/8" meter size. The minimum bill rate for meter sizes larger than 5/8" all increase at the same percentage as the 5/8" meter.

| | Current Rates | Proposed Rates January 1, 2014 | Proposed Rates January 1, 2015 |
|---|---------------|-----------------------------------|-----------------------------------|
| Minimum Bill 2,000 Gallons 5/8" Meter | \$13.50 | \$14.85 | \$16.04 |
| 3,000 – 10,000 Per Gallon | \$5.60 | \$6.16 | \$6.65 |
| 11,000 – 50,000 Per Gallon | \$5.10 | \$5.61 | \$6.06 |
| Over 50,000 Per Gallon | \$4.15 | \$4.57 | \$4.94 |

As shown above, the monthly bill increase for the residential minimum bill user is \$1.35 effective January 1, 2014 and an additional \$1.19 per month effective January 1, 2015.

Wastewater Rate Analysis

The wastewater rates incorporated in the ordinance amendment include a 15% increase effective January 1, 2014 and a 10% increase effective January 1, 2015. The wastewater rate ordinance amendment retains the per gallon tier structure that is incorporated in the current rate structure. Listed below is the summary of the rate changes for the minimum rate bill for the 5/8" meter size and the per thousand gallon rate structure. 95% of all wastewater billings are for the 5/8" meter size. The minimum bill rate for meter sizes larger than 5/8" all increase at the same percentage as the 5/8" meter.

| | Current Rates | Proposed Rates January 1, 2014 | Proposed Rates January 1, 2015 |
|---|---------------|-----------------------------------|-----------------------------------|
| Minimum Bill 2,000 Gallons 5/8" Meter | \$18.50 | \$21.28 | \$23.41 |
| Over 2,000 Per Gallon | \$7.75 | \$8.91 | \$9.80 |

As shown above, the monthly bill increase for the residential minimum bill user is \$2.78 effective January 1, 2014 and an additional \$2.13 per month effective January 1, 2015.

Recommendation

Staff recommends adoption of the attached water and wastewater ordinance amendments. Both the water and wastewater rate increases are required to continue to operate and maintain these systems, perform necessary capital improvements and meet our contractual and debt service obligations. Cash levels have been seriously hampered due to reduced sales volume, particularly in water, due to the unusually high rainfall this summer and are insufficient to finance ongoing obligations without these rate increases.

The water rates will fund the planned initial phases of \$14,650,000 in capital improvements to the Water Treatment Plant to occur through 2019. The Department of Energy will fund approximately half of the cost for these capital improvements.

The wastewater rates will fund debt service for capital projects required to meet the EPA administrative order (AO). To meet the requirements of the EAP AO, approximately \$23,090,000 in capital projects must be completed by September 2015. In June 2013, an \$18,000,000 million loan was approved by the State Revolving Loan (SRF) program to fund capital projects required to meet EPA's AO. An additional up to \$3,000,000 in borrowings is estimated to be necessary to complete the EPA AO required capital projects. In August 2013, the first major capital project to be funded from the SRF loans was approved by City Council for \$3,334,437.50.

The water and sewer rate increases are necessary to continue with the operation and maintenance and capital costs required for these systems to function. In addition to the above major projects, water and sewer rates provide funding to operate and maintain over 248 miles of water and 261 miles of sewer lines along with related pumping systems and operate the water and wastewater treatment plants..

The rate structures in both the water and wastewater ordinance amendments are from the rate study conducted by Chris Mitchell, Management Consultant, based on a long-term view of those systems through 2019. The study anticipates rate increases on January 1 of each calendar year through fiscal 2019 based on the funding parameters contained in the study (e.g. capital and debt service requirements, operating expenses, inflation, etc.). The projected rate increases have been spread across the years of the study with a goal of building much needed cash reserve levels and funding the anticipated capital and ongoing operations of the water and wastewater activities.

The attached ordinance amendments include the recommended rates for the next two calendar years. The attached schedule of Rate Impact for Sample Customers shows that the rate increases are uniform over all customer usage levels. Approximately 36% of our customer base is billed at only the minimum bill rate, 65% is billed for only 4,000 gallons usage or less per month and 91% of water and 94% of wastewater billings are for only 10,000 gallons or less usage per month.

An updated rate review status will be conducted in the summer of 2014 and if any adjustments are necessary for the January 2015 rate they will be brought forward for amendment at that time. The two year rate adoption schedule provides customers with the adopted rate for a two-year period for planning purposes. As with any study, actual results will vary from estimates and longer range estimates are less accurate than those in the near term time frames.

Attachment(s)

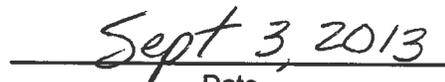
Water Rate Ordinance
Wastewater Rate Ordinance
Rate Impact on Sample Customers



Janice McGinnis

City Manager's Comments:

I have reviewed the above issue and recommend Council action as outlined in this document.


Mark S. Watson
Date

City of Oak Ridge
Water and Wastewater Proposed Rate Increase
Rate Impact on Sample Customers

| Monthly Billing | Water | | | | | | | | | | Wastewater | | | | | | | | Water and Wastewater Combined | | | |
|--------------------------|--------------|--------------------------------------|------------------|------------|-------------------|---|------------|------------------|--------------------------------------|-------------------|--------------|--------------------------------------|------------|-------------------|------------------|---|------------------|--------------------------------------|-------------------------------|--------------------------------------|------------------|------------|
| | Current Rate | January 2014 Rate Over Current Rates | | | | January 2015 Rate Over January 2014 Rates | | | January 2015 Rate Over Current Rates | | Current Rate | January 2014 Rate Over Current Rates | | | | January 2015 Rate Over January 2014 Rates | | January 2015 Rate Over Current Rates | | January 2015 Rate Over Current Rates | | |
| | | January 2014 Rate | Monthly Increase | % Increase | January 2015 Rate | Increase | % Increase | Monthly Increase | % Increase | January 2014 Rate | | Monthly Increase | % Increase | January 2015 Rate | Monthly Increase | % Increase | Monthly Increase | % Increase | Monthly Increase | % Increase | Monthly Increase | % Increase |
| | | | | | | | | | | | | | | | | | | | | | | |
| Minimum Bill 5/8" Meter* | \$ 13.50 | \$ 14.85 | \$ 1.35 | 10.0% | \$ 16.04 | \$ 1.19 | 8.0% | \$ 2.54 | 18.8% | \$ 18.50 | \$ 21.28 | \$ 2.78 | 15.0% | \$ 23.40 | \$ 2.12 | 10.0% | \$ 4.90 | 26.5% | \$ 7.44 | 23.3% | | |
| 3,000 gallons | \$ 19.10 | \$ 21.01 | \$ 1.91 | 10.0% | \$ 22.69 | \$ 1.68 | 8.0% | \$ 3.59 | 18.8% | \$ 26.25 | \$ 30.19 | \$ 3.94 | 15.0% | \$ 33.20 | \$ 3.01 | 10.0% | \$ 6.95 | 26.5% | \$ 10.54 | 23.2% | | |
| 4,000 gallons | \$ 24.70 | \$ 27.17 | \$ 2.47 | 10.0% | \$ 29.34 | \$ 2.17 | 8.0% | \$ 4.64 | 18.8% | \$ 34.00 | \$ 39.10 | \$ 5.10 | 15.0% | \$ 43.00 | \$ 3.90 | 10.0% | \$ 9.00 | 26.5% | \$ 13.64 | 23.2% | | |
| 5,000 gallons | \$ 30.30 | \$ 33.33 | \$ 3.03 | 10.0% | \$ 35.99 | \$ 2.66 | 8.0% | \$ 5.69 | 18.8% | \$ 41.75 | \$ 48.01 | \$ 6.26 | 15.0% | \$ 52.80 | \$ 4.79 | 10.0% | \$ 11.05 | 26.5% | \$ 16.74 | 23.2% | | |
| 6,000 gallons | \$ 35.90 | \$ 39.49 | \$ 3.59 | 10.0% | \$ 42.64 | \$ 3.15 | 8.0% | \$ 6.74 | 18.8% | \$ 49.50 | \$ 56.92 | \$ 7.42 | 15.0% | \$ 62.60 | \$ 5.68 | 10.0% | \$ 13.10 | 26.5% | \$ 19.84 | 23.2% | | |
| 7,000 gallons | \$ 41.50 | \$ 45.65 | \$ 4.15 | 10.0% | \$ 49.29 | \$ 3.64 | 8.0% | \$ 7.79 | 18.8% | \$ 57.25 | \$ 65.83 | \$ 8.58 | 15.0% | \$ 72.40 | \$ 6.57 | 10.0% | \$ 15.15 | 26.5% | \$ 22.94 | 23.2% | | |
| 8,000 gallons | \$ 47.10 | \$ 51.81 | \$ 4.71 | 10.0% | \$ 55.94 | \$ 4.13 | 8.0% | \$ 8.84 | 18.8% | \$ 65.00 | \$ 74.74 | \$ 9.74 | 15.0% | \$ 82.20 | \$ 7.46 | 10.0% | \$ 17.20 | 26.5% | \$ 29.14 | 23.2% | | |
| 9,000 gallons | \$ 52.70 | \$ 57.97 | \$ 5.27 | 10.0% | \$ 62.59 | \$ 4.62 | 8.0% | \$ 9.89 | 18.8% | \$ 72.75 | \$ 83.65 | \$ 10.90 | 15.0% | \$ 92.00 | \$ 8.35 | 10.0% | \$ 19.25 | 26.5% | \$ 29.14 | 23.2% | | |
| 10,000 gallons | \$ 58.30 | \$ 64.13 | \$ 5.83 | 10.0% | \$ 69.24 | \$ 5.11 | 8.0% | \$ 10.94 | 18.8% | \$ 80.50 | \$ 92.56 | \$ 12.06 | 15.0% | \$ 101.80 | \$ 9.24 | 10.0% | \$ 21.30 | 26.5% | \$ 32.24 | 23.2% | | |
| Minimum Bill: | | | | | | | | | | | | | | | | | | | | | | |
| 3/4" | \$ 17.00 | \$ 18.70 | \$ 1.70 | 10.0% | \$ 20.20 | \$ 1.50 | 8.0% | \$ 3.20 | 18.8% | \$ 22.00 | \$ 25.30 | \$ 3.30 | 15.0% | \$ 27.83 | \$ 2.53 | 10.0% | \$ 5.83 | 26.5% | \$ 9.03 | 23.2% | | |
| 1" | \$ 30.00 | \$ 33.00 | \$ 3.00 | 10.0% | \$ 35.64 | \$ 2.64 | 8.0% | \$ 5.64 | 18.8% | \$ 35.00 | \$ 40.25 | \$ 5.25 | 15.0% | \$ 44.28 | \$ 4.03 | 10.0% | \$ 9.28 | 26.5% | \$ 14.92 | 23.0% | | |
| 1 1/2" | \$ 65.00 | \$ 71.50 | \$ 6.50 | 10.0% | \$ 77.22 | \$ 5.72 | 8.0% | \$ 12.22 | 18.8% | \$ 70.00 | \$ 80.50 | \$ 10.50 | 15.0% | \$ 88.55 | \$ 8.05 | 10.0% | \$ 18.55 | 26.5% | \$ 30.77 | 22.8% | | |
| 2" | \$ 125.00 | \$ 137.50 | \$ 12.50 | 10.0% | \$ 148.50 | \$ 11.00 | 8.0% | \$ 23.50 | 18.8% | \$ 130.00 | \$ 149.50 | \$ 19.50 | 15.0% | \$ 164.45 | \$ 14.95 | 10.0% | \$ 34.45 | 26.5% | \$ 57.95 | 22.7% | | |
| 3" | \$ 220.00 | \$ 242.00 | \$ 22.00 | 10.0% | \$ 261.36 | \$ 19.36 | 8.0% | \$ 41.36 | 18.8% | \$ 225.00 | \$ 258.75 | \$ 33.75 | 15.0% | \$ 284.63 | \$ 25.88 | 10.0% | \$ 59.63 | 26.5% | \$ 100.99 | 22.7% | | |
| 4" | \$ 290.00 | \$ 319.00 | \$ 29.00 | 10.0% | \$ 344.52 | \$ 25.52 | 8.0% | \$ 54.52 | 18.8% | \$ 295.00 | \$ 339.25 | \$ 44.25 | 15.0% | \$ 373.18 | \$ 33.93 | 10.0% | \$ 78.18 | 26.5% | \$ 132.70 | 22.7% | | |
| 10" | \$ 290.00 | \$ 739.00 | \$ 449.00 | 154.8% | \$ 798.12 | \$ 59.12 | 8.0% | \$ 508.12 | 175.2% | \$ 295.00 | \$ 759.25 | \$ 464.25 | 157.4% | \$ 835.18 | \$ 75.93 | 10.0% | \$ 540.18 | 183.1% | \$ 1,048.30 | 179.2% | | |
| Car Wash | \$ 278.80 | \$ 306.68 | \$ 27.88 | 10.0% | \$ 331.24 | \$ 24.56 | 8.0% | \$ 52.44 | 18.8% | \$ 407.00 | \$ 467.93 | \$ 60.93 | 15.0% | \$ 514.68 | \$ 46.75 | 10.0% | \$ 107.68 | 26.5% | \$ 160.12 | 23.3% | | |
| Restaurant | \$ 728.80 | \$ 802.18 | \$ 73.38 | 10.1% | \$ 865.82 | \$ 63.64 | 7.9% | \$ 137.02 | 18.8% | \$ 1,217.00 | \$ 1,399.18 | \$ 182.18 | 15.0% | \$ 1,538.95 | \$ 139.77 | 10.0% | \$ 321.95 | 26.5% | \$ 458.97 | 23.6% | | |
| Large Building | \$ 2,336.30 | \$ 2,572.18 | \$ 235.88 | 10.1% | \$ 2,775.46 | \$ 203.28 | 7.9% | \$ 439.16 | 18.8% | \$ 4,084.50 | \$ 4,695.93 | \$ 611.43 | 15.0% | \$ 5,165.03 | \$ 469.10 | 10.0% | \$ 1,080.53 | 26.5% | \$ 1,519.69 | 23.7% | | |

*Minimum Bill is for the first 2,000 gallons of consumption

TITLE

AN ORDINANCE TO AMEND ORDINANCE NO. 19-82, AS AMENDED, BY DELETING THE PROVISION OF SECTION 2 PERTAINING TO THE SCHEDULE OF WATER RATES FOR COMMODITY CHARGES AND MINIMUM MONTHLY BILLING IN ITS ENTIRETY, AND SUBSTITUTING THEREFOR A NEW SCHEDULE OF WATER RATES.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF OAK RIDGE, TENNESSEE:

Section 1. Ordinance No. 19-82, as amended, is hereby amended by deleting the provisions of Section 2 pertaining to the schedule of water rates for commodity charges and minimum monthly billing in their entirety, as of midnight December 31, 2013, and substituting therefor a new Section 2 which shall read as follows:

Section 2 – Water Rate Schedule – Effective January 1, 2014

The following schedule of rates for metered billing of water furnished to consumers by the water system of the City of Oak Ridge is hereby established and adopted, effective with January 1, 2014 water billings.

1. Commodity Charge

| | | | |
|---|----------------|---|---------------------|
| First 2,000 gallons or any part thereof, minimum billing as outlined in subsection 2 below. | | | |
| Next | 8,000 gallons | @ | \$6.16 per thousand |
| Next | 40,000 gallons | @ | \$5.61 per thousand |
| Over | 50,000 gallons | @ | \$4.57 per thousand |

2. Minimum Monthly Billing includes first 2,000 gallons or any part thereof

| | |
|----------------------------------|--------------------|
| For customers using 5/8" meter | \$ 14.85 per month |
| For customers using 3/4" meter | 18.70 per month |
| For customers using 1" meter | 33.00 per month |
| For customers using 1-1/2" meter | 71.50 per month |
| For customers using 2" meter | 137.50 per month |
| For customers using 3" meter | 242.00 per month |
| For customers using 4" meter | 319.00 per month |
| For customers using 6" meter | 459.00 per month |
| For customers using 8" meter | 599.00 per month |
| For customers using 10" meter | 739.00 per month |

For customers using meters sizes not specifically listed above, the minimum billing monthly amount will be determined by the City at the time the service is established.

The above rates are net, the gross rates being five percent higher.

Section 2 – Water Rate Schedule – Effective January 1, 2015

The following schedule of rates for metered billing of water furnished to consumers by the water system of the City of Oak Ridge is hereby established and adopted, effective with January 1, 2015 water billings.

1. Commodity Charge

| | | | |
|---|----------------|---|---------------------|
| First 2,000 gallons or any part thereof, minimum billing as outlined in subsection 2 below. | | | |
| Next | 8,000 gallons | @ | \$6.65 per thousand |
| Next | 40,000 gallons | @ | \$6.06 per thousand |
| Over | 50,000 gallons | @ | \$4.94 per thousand |

2. Minimum Monthly Billing includes first 2,000 gallons or any part thereof

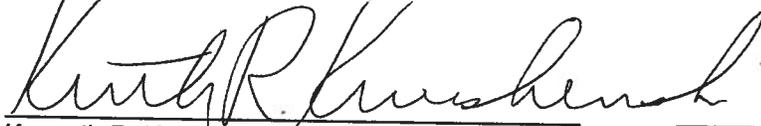
| | |
|----------------------------------|--------------------|
| For customers using 5/8" meter | \$ 16.04 per month |
| For customers using 3/4" meter | 20.20 per month |
| For customers using 1" meter | 35.64 per month |
| For customers using 1-1/2" meter | 77.22 per month |
| For customers using 2" meter | 148.50 per month |
| For customers using 3" meter | 261.36 per month |
| For customers using 4" meter | 344.52 per month |
| For customers using 6" meter | 495.72 per month |
| For customers using 8" meter | 646.92 per month |
| For customers using 10" meter | 798.12 per month |

For customers using meters sizes not specifically listed above, the minimum billing monthly amount will be determined by the City at the time the service is established.

The above rates are net, the gross rates being five percent higher.

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

APPROVED AS TO FORM AND LEGALITY:



Kenneth R. Krushenski, City Attorney

Thomas L. Beehan, Mayor

Diana R. Stanley, City Clerk

First Reading: _____
Publication Date: _____
Second Reading: _____
Publication Date: _____
Effective Date: _____

TITLE

AN ORDINANCE TO AMEND ORDINANCE NO. 21-82, AS AMENDED, BY DELETING THE PROVISION OF SECTION 13 PERTAINING TO THE SCHEDULE OF WASTEWATER RATES IN ITS ENTIRETY, AND SUBSTITUTING THEREFOR A NEW SCHEDULE OF WASTEWATER RATES.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF OAK RIDGE, TENNESSEE:

Section 1. Ordinance No. 21-82, as amended, is hereby amended by deleting the provisions of Section 13 pertaining to the schedule of wastewater rates in its entirety, as of midnight December 31, 2013, and substituting therefor a new Section 13 which shall read as follows:

Section 13 – Wastewater Rate Schedule – Effective January 1, 2014

All references to usage (gallons) or to meter readings shall mean water meter readings.

The following wastewater rate schedule shall apply to each user of the wastewater facilities, effective with the January 1, 2014 wastewater billings.

- 1. Sanitary sewer disposal charge for all customers except those applicable to subsection 3 below.

First 2,000 gallons or any part thereof, minimum billing as outlined in subsection 2 below.

| | |
|-----------------------|-----------------------------|
| Over 2,000 gallons at | \$8.91 per thousand gallons |
|-----------------------|-----------------------------|

- 2. Minimum Monthly Billing includes first 2,000 gallons or any part thereof for all customers except those applicable to subsection 3 below.

| | |
|----------------------------------|--------------------|
| For customers using 5/8" meter | \$ 21.28 per month |
| For customers using 3/4" meter | 25.30 per month |
| For customers using 1" meter | 40.25 per month |
| For customers using 1-1/2" meter | 80.50 per month |
| For customers using 2" meter | 149.50 per month |
| For customers using 3" meter | 258.75 per month |
| For customers using 4" meter | 339.25 per month |
| For customers using 6" meter | 479.25 per month |
| For customers using 8" meter | 619.25 per month |
| For customers using 10" meter | 759.25 per month |

For customers using meters sizes not specifically listed above, the minimum billing monthly amount will be determined by the City at the time the service is established.

- 3. Customers whose single-meter usage averages over 8,000,000 gallons per month for a contiguous 12 month period will be charged a minimum flat monthly rate of \$120,000.00 each month for the succeeding 12 month period. The minimum flat monthly rate covers usage up to 8,000,000 gallons. Monthly usage over 8,000,000 gallons will be charged an additional \$8.91 per thousand gallons.

Minimum Charge per Month

The total wastewater charge shall be no less than \$21.28 per month.

Maximum Charge per Month

The following terms are defined:

Winter Period – November 2 through May 1.

Summer Period – May 2 through November 1.

Single-family residential meter readings shall be subject to a maximum monthly billable wastewater consumption of 20,000 gallons during the Summer Period. Single-family residential customers that have maintained water service at the metered location continuously during the preceding Winter Period will have a maximum billable monthly wastewater consumption during the Summer Period using the highest monthly meter reading taken during the immediately preceding Winter Period, not to exceed 20,000 gallons per month.

The above rates are net, the gross rate being five percent higher.

Section 13 – Wastewater Rate Schedule – Effective January 1, 2015

All references to usage (gallons) or to meter readings shall mean water meter readings.

The following wastewater rate schedule shall apply to each user of the wastewater facilities, effective with the January 1, 2015 wastewater billings.

1. Sanitary sewer disposal charge for all customers except those applicable to subsection 3 below.

First 2,000 gallons or any part thereof, minimum billing as outlined in subsection 2 below.

Over 2,000 gallons at \$9.80 per thousand gallons

2. Minimum Monthly Billing includes first 2,000 gallons or any part thereof for all customers except those applicable to subsection 3 below.

| | |
|----------------------------------|--------------------|
| For customers using 5/8" meter | \$ 23.41 per month |
| For customers using 3/4" meter | 27.83 per month |
| For customers using 1" meter | 44.28 per month |
| For customers using 1-1/2" meter | 88.55 per month |
| For customers using 2" meter | 164.45 per month |
| For customers using 3" meter | 284.63 per month |
| For customers using 4" meter | 373.18 per month |
| For customers using 6" meter | 527.18 per month |
| For customers using 8" meter | 681.18 per month |
| For customers using 10" meter | 835.18 per month |

For customers using meters sizes not specifically listed above, the minimum billing monthly amount will be determined by the City at the time the service is established.

- 3. Customers whose single-meter usage averages over 8,000,000 gallons per month for a contiguous 12 month period will be charged a minimum flat monthly rate of \$120,000.00 each month for the succeeding 12 month period. The minimum flat monthly rate covers usage up to 8,000,000 gallons. Monthly usage over 8,000,000 gallons will be charged an additional \$8.91 per thousand gallons.

Minimum Charge per Month

The total wastewater charge shall be no less than \$23.41 per month.

Maximum Charge per Month

The following terms are defined:

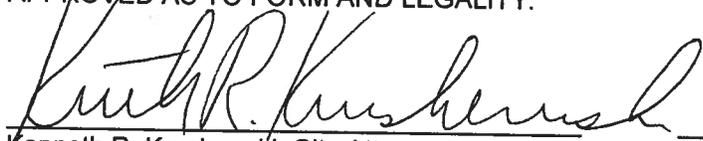
- Winter Period – November 2 through May 1.
- Summer Period – May 2 through November 1.

Single-family residential meter readings shall be subject to a maximum monthly billable wastewater consumption of 20,000 gallons during the Summer Period. Single-family residential customers that have maintained water service at the metered location continuously during the preceding Winter Period will have a maximum billable monthly wastewater consumption during the Summer Period using the highest monthly meter reading taken during the immediately preceding Winter Period, not to exceed 20,000 gallons per month.

The above rates are net, the gross rate being five percent higher.

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

APPROVED AS TO FORM AND LEGALITY:



Kenneth R. Krushenski, City Attorney

Thomas L. Beehan, Mayor

Diana R. Stanley, City Clerk

First Reading: _____
Publication Date: _____
Second Reading: _____
Publication Date: _____
Effective Date: _____

**FINAL ADOPTION
OF
ORDINANCES**

COMMUNITY DEVELOPMENT DEPARTMENT MEMORANDUM

13-26

DATE: July 23, 2013
TO: Mark S. Watson, City Manager
FROM: Monica Austin Carroll, AICP, Community Development Division Manager
THROUGH: Kathryn Baldwin, Community Development Director 
SUBJECT: ZONING ORDINANCE REVISIONS REGARDING MOVING COPY SIGNS

Introduction

An item for City Council's consideration is an ordinance to amend the existing sign ordinance. Over the past six (6) months, City staff, the Oak Ridge Municipal Planning Commission, representatives of the Oak Ridge Chamber of Commerce, representatives from the sign industry, and citizens alike have been involved in a collaborative partnership to examine the City's current sign ordinance in an effort to clarify regulations regarding moving copy signs (electronic message center (EMCs)).

Funding

No funding is necessary for this item.

Analysis

The following is a summary of the changes to the sign ordinance for EMCs:

Animation

- Each message displayed on an EMC shall be static—no animation or effects simulating animation—and depicted for a minimum of five (5) seconds. Transition from one message to another shall be continuous without flashing, change in light intensity, animation or other type of movement between messages except fade-ins/fade-outs of messages is permitted. Animated video or continuous scrolling of messages is prohibited.

Sign Surface Area

- The EMCs portion shall be an integrated part of the total sign surface area. The surface display area for the EMCs shall not exceed 40% of the overall allowable sign area for pole signs and 50% of the overall allowable sign area for ground signs. For pole signs only, the EMCs shall be located on the bottom portion of the overall sign.

Location

- Ground signs that include EMCs shall not be located within 100 feet of any residential uses, residential zoning districts, or public parks. Pole signs that include EMCs shall not be located within 200 feet of any residential uses, residential zoning districts, or public parks. This measurement shall be made from the sign structure to the nearest residential or public park property line.

Sporting Events

Outdoor athletic fields with permanent seating shall be allowed to have EMCs provided that the display is:

- Used only during the sporting event and the activities related to it on the day of the event
- EMCs are an integrated part of the scoreboard
- Surface display area shall not exceed more than 50% of the front face of the scoreboard

For recreational and sporting venues within publicly owned spaces, EMCs may be allowed on a temporary basis for the duration of the event provided the orientation of the display is towards the participants/spectators. Live video may be displayed on the temporary EMCs for the duration of the event.

Traffic Control

No moving copy sign shall interfere with the effectiveness of an official traffic control device as determined by the City Engineer. All such signs shall automatically dim via photo cell technology (sensory controlled), which shall adjust to ambient light conditions via gradient change. The brightness of such signs shall not exceed 10,000 nits¹ (measured at white levels) during day light hours and not to exceed 750 nits at night. For the purpose of this section, night shall mean apparent sunset as determined by the National Oceanic and Atmospheric Administration (NOAA), U.S. Department of Commerce, for the specific geographic location and date.

All applications shall include a letter from the sign manufacturer to verify the dimming capabilities and brightness of the sign. No sign permit shall be issued without certification of the manufacturer regarding brightness capability of the EMC sign. The owner of such sign is responsible for making any adjustments to the brightness of the sign following notice by the City of non-compliance with these requirements.

Recommendation

The aforementioned changes regarding the proposed amendments to the sign ordinance for EMCs were discussed and recommended to City Council for approval by a vote of 7 -1 during the regularly scheduled Planning Commission meeting on June 20, 2013.

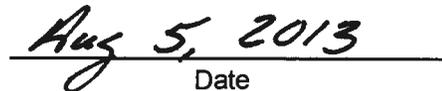
Attachment(s)



Monica Austin Carroll

City Manager's Comments:

I have reviewed the above issue and recommend Council action as outlined in this document.


Mark S. Watson
Date

¹ A unit of measurement of luminance, or the intensity of visible light, where one nit is equal to one candela per square meter. Nits are used to describe the brightness of digital displays, such as LCD and CRT monitors.

QUICK REFERENCE

| Sign Type | Size ¹ (Surface Display Area) | Animation ² | Location ³ | Special Notes |
|--|---|--|--|--|
| Ground | 50% of the overall allowable sign area | Each message displayed on a EMC shall be static—no animation or effects simulating animation—and depicted for a minimum of five (5) seconds. | Shall not be located within 100 feet of any residential uses, residential zoning districts, or public parks. | N/A |
| Pole | Shall not exceed 40% of the overall allowable sign area. EMCs shall be located on the bottom portion of the overall sign. | Each message displayed on a EMC shall be static—no animation or effects simulating animation—and depicted for a minimum of five (5) seconds. | Shall not be located within 200 feet of any residential uses, residential zoning districts, or public parks. | N/A |
| Outdoor Athletic Fields | Shall not exceed more than 50% of the front face of the scoreboard | Each message displayed on a EMC shall be static—no animation or effects simulating animation—and depicted for a minimum of five (5) seconds. | Athletic fields with permanent seating. | Used only during the sporting event and the activities related to it on the day of the event |
| Recreational/ Sporting Venue (Events) | No Limit | Live video is allowed. | Publicly owned spaces | Allowed on a temporary basis for the duration of the event provided the orientation of the display is towards the participants/spectators. |

¹ The EMC shall be an integrated part of the total sign surface area.

² Transition from one message to another shall be continuous without flashing, change in light intensity, animation or other type of movement between messages except fade-ins/fade-outs of messages is permitted. Animated video or continuous scrolling of messages is prohibited.

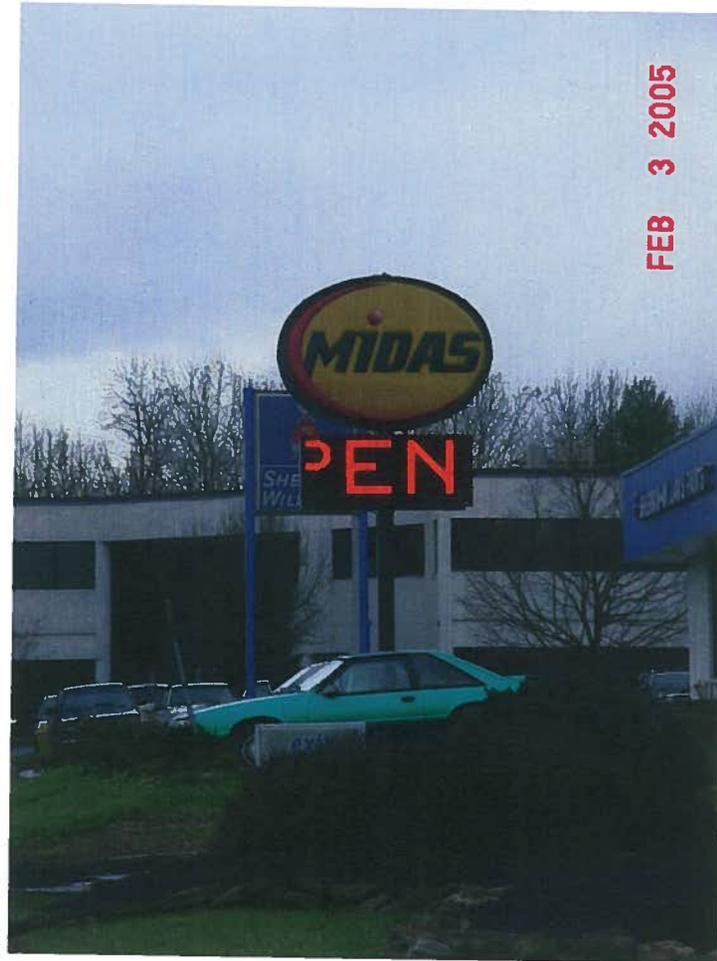
³ The measurement shall be made from the sign structure to the nearest residential or public park property line.

Examples of Existing Reader Board Signs

CVS Pharmacy (Issued 4-8-04)



Midas (Issued 12-28-04)



Rivers Total Car Care (Issued 6-9-05)



TK Wheelers (Issued 4-15-08)



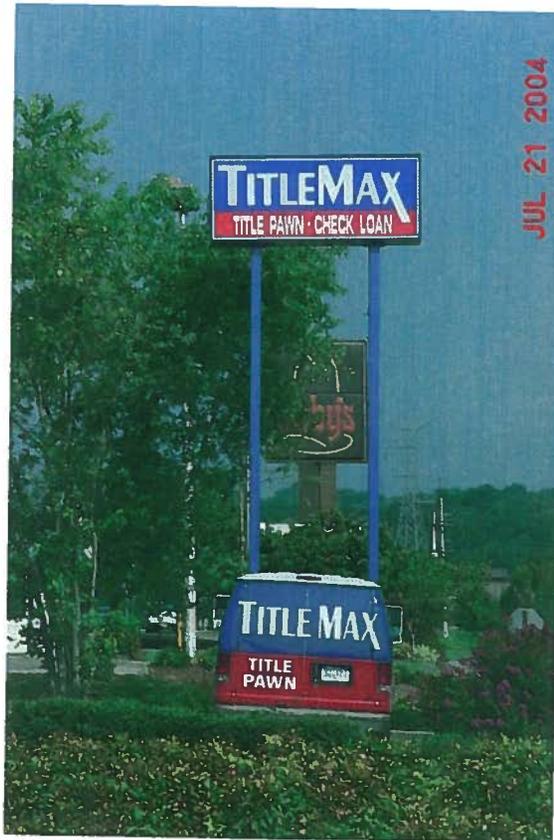
IHOP (issued 8-27-09)



Oak Ridge High School (Issued 3-17-10)



Title Max (Issued 4-9-10)



Patterson's (Issued 10-13-11)



Munsey's Pharmacy (Issued 12-13-11)



Time to Shine Car Wash (Issued 3-8-12)



Walgreens (Issued 4-20-12)



Riverside Grill (Issued 5-16-12)



Ace Hardware (Issued 9-17-12)



Popeye's (Issued 9-18-12)



Karen's Jewelers (Issued 10-11-12)



Eddie Hair Tire (Installed July 2013)



TITLE

AN ORDINANCE TO AMEND ORDINANCE NO. 2, TITLED "THE ZONING ORDINANCE OF THE CITY OF OAK RIDGE, TENNESSEE," ARTICLE XIV, TITLED "SIGN REGULATIONS," TO ADD A NEW SECTION 14.21, TITLED "MOVING COPY (ELECTRONIC MESSAGE CENTER) SIGNS," FOR THE PURPOSE OF ESTABLISHING CRITERIA FOR OPERATION OF MOVING COPY (ELECTRONIC MESSAGE CENTER) SIGNS.

WHEREAS, the City of Oak Ridge desires to establish criteria for the operation of moving copy (electronic message center) signs in response to concerns expressed by the community; and

WHEREAS, the following changes have been submitted for approval or disapproval to the Oak Ridge Municipal Planning Commission and the Commission has approved the same; and

WHEREAS, the following changes are a result of a collaborative effort between city staff, the Commission, the Oak Ridge Chamber of Commerce, representatives from the sign industry, and citizens to examine current sign regulations in an effort to clarify regulations regarding moving copy (electronic message center) signs; and

WHEREAS, a public hearing thereon has been held as required by law.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF OAK RIDGE, TENNESSEE:

Section 1. Ordinance No. 2, titled "The Zoning Ordinance of the City of Oak Ridge, Tennessee," Article XIV, titled "Sign Regulations," is hereby amended by adding a new Section 14.21, titled "Moving Copy (Electronic Message Center) Signs," which new section shall read as follows:

Section 14.21. Moving Copy (Electronic Message Center (EMC)) Signs.

Moving copy (electronic message center (EMC)) signs shall adhere to the following provisions and restrictions in addition to those stated in the sign requirements by zoning districts.

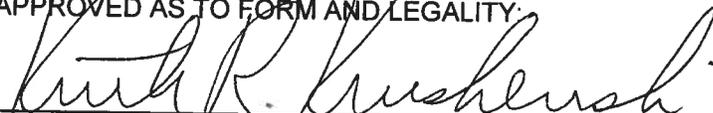
1. Length of Time for Display. Each message displayed on an EMC sign shall be static (sign which includes no animation or effects simulating animation) and depicted for a minimum of five (5) seconds. Transition from one message to another shall be continuous without flashing, change in light intensity, animation or other type of movement between messages except that fade-ins/fade-outs of messages are permitted. Animated video or continuous scrolling of messages is prohibited.
2. Surface Area. The EMC portion of the sign shall be an integrated part of the total sign surface area. The surface display area for the EMC shall not exceed forty percent (40%) of the overall allowable sign area for pole signs and fifty percent (50%) of the overall allowable sign area for ground signs. For pole signs only, the EMC shall be located on the bottom portion of the overall sign.
3. Location of EMC in Residential and Public Park Areas. Ground signs that include EMCs shall not be located within one hundred (100) feet of any residential uses, residential zoning districts, or public parks. Pole signs that include EMCs shall not be located within two hundred (200) feet of any residential uses, residential zoning districts, or public parks. This measurement

shall be made from the sign structure to the nearest residential or public park property line.

4. Outdoor Athletic Fields. Outdoor athletic fields with permanent seating shall be allowed to have EMC signs provided that the display is: (a) used only during the sporting event and the activities related to the event on the day of the event, (b) EMCs are an integrated part of the scoreboard, and (c) the surface display area of the EMC shall not exceed more than fifty percent (50%) of the front face of the scoreboard.
5. Temporary EMC Signs for Recreational/Sporting Venues on Publicly Owned Spaces. For recreational and sporting venues within publicly owned spaces, EMC signs may be allowed on a temporary basis for the duration of the event provided the orientation of the display is towards the participants/spectators. Live video may be displayed on the temporary EMC signs for the duration of the event.
6. Light Intensity. No EMC copy sign shall interfere with the effectiveness of an official traffic control device as determined by the City Engineer. All such signs shall automatically dim via photo cell technology (sensory controlled), which shall adjust to ambient light conditions via gradient change. The brightness of such signs shall not exceed 10,000 nits (measured at white levels) during day light hours and not to exceed 750 nits at night. For the purpose of this subsection, night shall mean apparent sunset as determined by the National Oceanic and Atmospheric Administration (NOAA), U.S. Department of Commerce, for the specific geographic location and date. All applications shall include a letter from the sign manufacturer to verify the dimming capabilities and brightness of the sign. No sign permit shall be issued without certification of the manufacturer regarding brightness capability of the EMC sign. The owner of such sign is responsible for making any adjustments to the brightness of the sign following notice by the City of non-compliance with these requirements.

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

APPROVED AS TO FORM AND LEGALITY:



Kenneth R. Krushenski, City Attorney

Thomas L. Beehan, Mayor

Public Hearing: 08/12/2013
Publication Date: 07/25/2013
First Reading: 08/12/2013
Publication Date: 08/19/2013
Second Reading: _____
Publication Date: _____
Effective Date: _____

Diana R. Stanley, City Clerk

COMMUNITY DEVELOPMENT MEMORANDUM

13-34

DATE: August 22, 2013
TO: Mark S. Watson, City Manager
FROM: Matthew Widner, Housing Specialist
THROUGH: Kathryn Baldwin, Community Development Director
SUBJECT: OAK RIDGE LAND BANK CORPORATION (ORLBC) START UP

Handwritten signature/initials

Introduction

Following discussions from the first reading of the ordinance to create the Oak Ridge Land Bank Corporation, city staff is supplying additional information related to the funding of the corporation.

Funding

Initial funding for ORLBC will come from limited sources that are expected to further diversify and grow as the ORLBC matures and evolves in the coming years. Simplified funding projection as follows:

Table with 2 columns: Revenues and Expenses for YR1. Revenues include General Fund, Rental, and Disposition. Expenses include Property Maintenance, Insurance, Acquisition, Professional Services, Advertising, Management Software/Web, Demolition, and Administrative Support In-Kind.

YR2 Revenues Evaluation of 1st year to determine more specific budget given the opportunity to secure more funding sources that are not available in YR1.

Table with 2 columns: Revenues and Expenses for YR2. Revenues include General Fund, Rental, Disposition, EPA Grants/Loans, and CDBG. Expenses include Property Maintenance, Insurance, Acquisition, Professional Services, Advertising, Management Software/Web, Demolition, Training/Education/Advisory, and Administrative Support In-Kind.

YR3 Revenues Evaluation of 2 years of activity and growth to determine more specific budget and efforts to incorporate inter-local agreements with Anderson & Roane County to include any municipality located within. This is the reporting year to the State of Tennessee for evaluation. Lobbying for tax foreclosure law changes to favor the Land Bank should really increase at this point with the anticipated support of Counties.

Table with 2 columns: Revenues and Expenses for YR3. Revenues include General Fund and Inter-Local Agreement(s). Expenses include Property Maintenance and Insurance.

| | |
|--|--|
| <i>Rental - \$23,700.00</i> | <i>Professional Services - \$20,000.00</i> |
| <i>Disposition - \$75,000.00</i> | <i>Acquisition - \$250,000.00</i> |
| <i>EPA Grants/Loans - \$50,000.00</i> | <i>Advertising - \$30,000.00</i> |
| <i>CDBG -\$75,000.00 (shared out of OR grant</i> | <i>Management Software/Web - \$25,000.00</i> |
| <i>Foundation Partnerships - \$25,000.00</i> | <i>Demolition - \$75,000.00</i> |
| <i>Program Related Investments (PRI) - \$TBD</i> | <i>Administrative Support In-Kind/Inter-local - \$0.00</i> |

Consideration

Most land banks start off relatively small and build the capacity to operate effectively and demonstrate their value as they grow. Because of the threat that vacant properties present, the need to expand neighborhood stabilization and economic development efforts and near-term opportunities, the Land Bank should receive enough start-up funding to develop the necessary organizational infrastructure, and to begin its neighborhood stabilization and economic development work.

Based on information from existing land banks, a high-level budget scenario for the start-up phase of the ORLBC was developed that assumes directors and a skeletal staff spending the first year on organizational, programmatic, and operational activities. These will include legal incorporation, recruiting staff, developing a business plan, establishing board committees, creating program and operating policies and procedures, procuring and integrating all IT, MIS and accounting infrastructure, building a website, establishing formal partner and affiliate relationships, and conducting community outreach and education.

City Council and the ORLBC Board of Directors will need to make a series of threshold decisions about the Land Bank's activities and priorities that will affect its budget. For example, the parties will need to decide to what extent the Land Bank will handle improved real estate, which will require far more human and financial capital than the acquisition of vacant, unimproved real estate. Similarly, a decision will need to be made as to whether the Land Bank demolishes donated properties or requires banks to demolish before donating will also have cost implications. The Board of Directors must also determine what percentage of donated properties will be returned to productive use in the near-term, what percentage will involve ongoing maintenance, other costs over a longer time horizon in order to accurately estimate its revenue needs. These and many other questions regarding staffing plans, cost estimation, and environmental indemnification for acquired properties must be answered as part of the Land Bank's planning during its first year.

During the start-up phase, the Land Bank will likely rely on support from public and private sources, including banks and private foundations, but one of the Land Bank's top priorities should be to become largely or entirely self-supporting in the long-term. Land banks around the country have developed a range of funding models, many of which could be incorporated here, provided that there would be state legislative action specifically with regard to tax foreclosure laws.



Matthew Widner

DEPARTMENT OF COMMUNITY DEVELOPMENT MEMORANDUM

13-28

DATE: July 25, 2013
TO: Mark S. Watson, City Manager
FROM: Kathryn Baldwin, Community Development Director
SUBJECT: OAK RIDGE LAND BANK CORPORATION

Introduction

As part of the "Not in our City" conceptual plan, City Council approved Resolution 11-109-11, which included the establishment of a land bank PILOT program in accordance with Tennessee Code Annotated §13-30-101 to reclaim tax foreclosed, unused, vacant, and/or undesirable land for potential housing opportunities or public use.

Funding

As per Tennessee Code Annotated §13-30-104(b)(2), City Council will appropriate sufficient funds for the initial administration of the corporation. Initial funding source for the Land Bank would primarily come from the current remaining City Housing Fund which is approximately \$100,000.00.

Background

The City has been working on a number of initiatives, both locally and the state level, to improve the housing stock and other land uses. Among those initiatives, the City of Oak Ridge was identified by the State of Tennessee to serve as the pilot city for the State's first ever Land Bank. This designation was bestowed upon the City of Oak Ridge because of a myriad of social and economic factors that included the large number of legacy World War II era housing structures originally constructed as temporary residential dwellings in support of the war that are now in deteriorated and unsafe or otherwise unfit condition. There exists a crisis in many cities and their metro areas caused by disinvestment in real property and resulting in a significant amount of vacant and abandoned property. This condition of vacant and abandoned property represents lost revenue to the City and large costs associated with demolition, safety hazards and spreading deterioration of neighborhoods including resulting mortgage foreclosures. The need exists to strengthen and revitalize the economy of the state and the City of Oak Ridge by solving the problems of vacant and abandoned property in a coordinated manner, and to foster the development of such property and promote economic growth. Such problems may include multiple taxing jurisdictions lacking common policies, ineffective property inspection, code enforcement and property rehabilitation support, lengthy and/or inadequate foreclosure proceedings, and lack of coordination and resources to support economic revitalization. Land banks are one of the tools that can be utilized by communities to facilitate the return of vacant, abandoned, and tax-delinquent properties to productive use.

In addition to creating a Land Bank, the City over the past year has acquired, through various funding sources, twelve (12) residential properties as listed below, which are currently available for immediate transfer to the pending Oak Ridge Land Bank Corporation for the purposes authorized by state legislation. Four (4) of the properties are in the process of demolition, one (1) is a donated lot with a house suited for rehabilitation and seven (7) have been demolished and ready for use.

| | |
|-------------------------|-------------------------|
| 214 Waltham Place | 114-116 Lawton Rd |
| 121 Goucher Cir | 212-214 N. Illinois Ave |
| 112-114 Wade Ln | 134 Houston Ave |
| 608 W. Outer Dr | 133 Johnson Rd |
| 175 Outer Dr (donation) | 101 Decatur Rd |
| 110-112 Walnut Ln | 116 Jarrett Ln |

Recommendation

To adopt this ordinance that officially establishes the City of Oak Ridge Land Bank Corporation pursuant to the provisions of TCA §13-30-101 et seq. and to appropriate sufficient funds and staff support to the initial creation and early stages of this Land Bank Pilot Program in addition to transferring available city acquired properties to the Oak Ridge Land Bank Corporation for the purposes authorized by state legislation.

Attachment(s)

Tennessee Local Land Bank Pilot Program - TCA §13-30 et seq.


Kathryn Baldwin

City Manager's Comments:

I have reviewed the above issue and recommend Council action as outlined in this document.


Mark S. Watson


Date



State of Tennessee
PUBLIC CHAPTER NO. 1096

SENATE BILL NO. 3223

By McNally, Yager

Substituted for: House Bill No. 3400

By Ragan, Hardaway, Parkinson

AN ACT to amend Tennessee Code Annotated, Title 13, to enact the "Tennessee Local Land Bank Pilot Program".

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 13, is amended by adding the following language as a new Chapter 30:

13-30-101. This act shall be known and may be cited as the "Tennessee Local Land Bank Pilot Program".

13-30-102. The legislature finds and declares as follows:

(1) Tennessee's communities are important to the social and economic vitality of the state. Whether urban, suburban or rural, many communities are struggling to cope with vacant, abandoned and tax-delinquent properties.

(2) There exists a crisis in many cities and their metro areas caused by disinvestment in real property and resulting in a significant amount of vacant and abandoned property. This condition of vacant and abandoned property represents lost revenue to local governments and large costs associated with demolition, safety hazards and spreading deterioration of neighborhoods including resulting mortgage foreclosures.

(3) The need exists to strengthen and revitalize the economy of the state and its local units of government by solving the problems of vacant and abandoned property in a coordinated manner and to foster the development of such property and promote economic growth. Such problems may include multiple taxing jurisdictions lacking common policies, ineffective property inspection, code enforcement and property rehabilitation support, lengthy and/or inadequate foreclosure proceedings, and lack of coordination and resources to support economic revitalization.

(4) There is an overriding public need to confront the problems caused by vacant, abandoned and tax-delinquent properties through the creation of new tools to be available to communities throughout the state enabling them to turn vacant spaces into vibrant places.

(5) Land banks are one of the tools that can be utilized by communities to facilitate the return of vacant, abandoned and tax-delinquent properties to productive use.

(6) In the interest of self-governance on the part of Tennessee's cities, this pilot program will be used in specific areas as a testing model of a self-governing, self-sustaining land bank that can revitalize Tennessee cities and counties.

13-30-103. As used in this act, unless the context clearly indicates otherwise:

(1) "Board of directors" or "board" means the board of directors or other similar governing body of the corporation;

(2) "Corporation" means a corporation created pursuant to this chapter to operate a land bank;

(3) "Land bank" means real property, however obtained or acquired and held by a corporation, created pursuant to this chapter, with the intent of acquiring and holding onto the real property so acquired until such a time as the corporation is able to find a willing and able buyer to acquire the real property from the corporation;

(4) "Local government" means any municipality or county incorporated or existing under the laws of Tennessee, or any combination of any municipality or county incorporated or existing under the laws of Tennessee meeting the requirements of § 13-30-104;

(5) "Pilot program" means the Tennessee Local Land Bank Pilot Program meeting the requirements of § 13-30-104;

(6) "Real estate" means an identified parcel or tract of land, including improvements, if any; and

(7) "Real property" means one (1) or more defined parcels or tracts of land or interests, benefits and rights inherent in the ownership of real estate.

13-30-104.

(a)(1) Any municipality or county incorporated or existing under the laws of Tennessee, or any combination of any municipality or county incorporated or existing under the laws of Tennessee, to which all of the following elements applies, has the authority to establish a pilot program by creating a corporation which is authorized to operate a land bank for the creating local government or local governments, hereafter referred to as "corporation", within the jurisdictional boundaries of the local government or local governments establishing the corporation:

(A) The local government was chosen as a site for a nuclear research facility for the U.S. Government during the World War II era;

(B) Prefabricated modular homes, apartments and dormitories, many made from cement panels, were quickly erected for those employed at the nuclear research facility; and

(C) Many units of such housing, while intended to be only temporary structures, are in extremely deteriorated conditions and still serve as residential homes for municipal residents seventy (70) years after originally constructed.

(2) The corporation is hereby declared to be performing a public function on behalf of the local government with respect to which the corporation is created and organized and to be a public instrumentality of such local government. Accordingly, the corporation and all properties of the corporation, including all properties held in the name of the corporation in the land bank, at any time owned by it, and the income and revenues from the properties shall be exempt from all taxation in the State of Tennessee.

(b)(1) A corporation shall come into existence under the terms of this chapter when any local government to which subsection (a) applies either on its own initiative or through inter-local agreements entered into by and between one (1) or more creating local governments vote by majority vote of its legislative body to establish the corporation. Evidence of such authorization shall be proclaimed and countersigned by the presiding officer of each participating county or municipality and certified by such officer to the secretary of state.

(2) The governing bodies of the creating local governments shall indicate their willingness to appropriate sufficient funds to provide for the initial administration of the corporation as a part of the authorization process and for such purposes are authorized to provide funding or grants and appropriate money to the corporation in such manner as directed by the legislative bodies.

13-30-105.

(a) The corporation shall have a board of directors in which all powers of the corporation shall be vested. Such board shall consist of any number of directors, no fewer than five (5), all of whom shall be duly qualified electors of and taxpayers in the creating local government or local governments.

(b) The creating local government or local governments, if more than one (1) has jointly created a corporation, shall determine the qualifications, manner of selection or appointment, terms of office of members of the board, the number of directors, whether and to what extent the members of the local legislative bodies shall be appointed or elected to serve on the board of the corporation and the manner of filling vacancies.

(c) The term of each director on the corporation shall be as set by the creating local government or local governments, provided that any director shall continue to serve beyond the end of the director's term until the director's successor has been appointed. At the first organizational meeting of the corporation, the creating local government or local governments shall establish the terms of the initial directors so that the directors serve staggered terms and an approximately equal number of directors have terms that expire in each year.

13-30-106.

(a) A majority of the board of the corporation shall constitute a quorum for the transaction of any business. Unless a greater number or percentage is required by state law, the vote of a simple majority of the directors present at any meeting at which a quorum is present shall be the action of the corporation. To the extent permitted by applicable law, the corporation may permit any or all directors to participate in an annual, regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

(b) The members of the board of directors shall select annually from among themselves a chairman, a vice chairman, a treasurer, and such other officers as the board may determine, and shall establish their duties as may be regulated by rules adopted by the board.

(c) The board shall establish rules and requirements relative to the attendance and participation of members in its meetings, regular or special. Such rules and regulations may prescribe a procedure whereby, should any member fail to comply with such rules and regulations, such member may be disqualified and removed automatically from office by no less than a majority vote of the remaining members of the board, and that member's position shall be vacant as of the first day of the next calendar month. Any person removed under the provisions of this subsection shall be ineligible for reappointment to the board, unless such reappointment is confirmed unanimously by the board.

(d) Any citizen or group of citizens upon collection of a petition having a clearly worded purpose, of at least twenty (20) verified signatures of qualified voters registered in the jurisdiction in which the board operates may present to the local government legislative body a resolution calling for the removal of any board member. The local government legislative body shall have the power, upon timely and due consideration of the citizen petition and a response from the board, to remove or retain the cited board member by simple majority vote. Removal from the board of directors of any public official shall not, in and of itself, impair the public official or municipal or county employee in his or her other duties.

(e) Board members shall serve without compensation, shall have the power to organize and reorganize the executive, administrative, clerical, and other departments of the corporation and to fix the duties, powers and compensation of all employees, agents and consultants of the corporation. The board may reimburse any member for expenses actually incurred in the performance of duties on behalf of the corporation.

(f) The board shall meet in regular session according to a schedule adopted by the board, and also shall meet in special session as convened by the chairman or upon written notice signed by a majority of the members. The presence of a majority of the total membership of the board shall constitute a quorum.

(g) All actions of the board shall be approved by the affirmative vote of a majority of the members of that board present and voting. However, no action of the board shall be authorized on the following matters unless approved by a majority of the total board membership:

(1) Adoption of bylaws and other rules and regulations for conduct of the business of the corporation;

(2) Hiring or firing of any employee or contractor of the corporation. This function may, by majority vote, be delegated by the board to a specified officer or committee of the corporation, under such terms and conditions, and to the extent, that the board may specify;

(3) The incurring of debt;

(4) Adoption or amendment of the annual budget; and

(5) Sale, lease, encumbrance, or alienation of real property, improvements or personal property with a value of more than fifty thousand dollars (\$50,000).

(h) Vote by proxy shall not be permitted. Any member may request a recorded vote on any resolution or action of the board.

13-30-107.

(a) The corporation, once created, shall have the authority to create a land bank for real property located within the boundaries of the creating local government or local governments.

(b) No rules or bylaws created by the corporation, may contravene state law.

(c) All board members, appointees, employees and/or paid advisors of the corporation created, appointed or employed, with or without pay, pursuant to this act are subject to the provisions of Tennessee Code Annotated, Title 8, Chapter 17, and may not be exempted on the basis of any corporate board governance rules or bylaws.

(d) All meetings of the board of directors of the corporation and/or its employees are subject to Tennessee Code Annotated, Title 8, Chapter 44, and may not be exempted on the basis of the corporate board governance rules or bylaws.

(e) All corporate records are subject to the provisions of Tennessee Code Annotated, §§ 10-7-503 through 10-7-505, and may not be exempted on the basis of any corporate board governance rules or bylaws.

13-30-108. The corporation may enter into contracts and agreements with the creating local government or local governments for staffing services to be provided to the corporation by such local governments or agencies or departments thereof.

13-30-109. The corporation shall have the power, as limited by the legislative body of the creating local government or local governments, to:

(1) Adopt, amend and repeal bylaws for the regulation of its affairs and the conduct of its business;

(2) Sue and be sued in its own name and plead and be impleaded in all civil actions, including, but not limited to, actions to clear title to the real property held in the land bank;

(3) Adopt a seal and to alter the same at pleasure;

(4) Borrow funds as may be necessary, for the operation and work of the corporation with the concurrence of the legislative body of the creating local government or local governments;

(5) Enter into contracts and other instruments necessary, incidental or convenient to the performance of its duties and the exercise of its powers, including, but not limited to, intergovernmental agreements under the existing Tennessee Code for the joint exercise of powers under this act;

(6) Make and execute contracts and other instruments necessary or convenient to the exercise of the powers to acquire, hold and dispose of real property held in the land bank;

(7) Procure and enter into contracts for any type of insurance or indemnity against loss or damage to property from any cause, including loss of use and occupancy, against death or injury of any person, against employer's liability, against any act of any member, officer or employee of the corporation in the performance of the duties of such person's office or employment or any other insurable risk, as the board of directors, in its discretion, may deem necessary;

(8) Accept donations, contributions, revenues, capital grants or gifts from any individual, association, public or private corporation, municipality or county of the State of Tennessee, the State of Tennessee or the United States government, or any agency or instrumentality of the State of Tennessee or the United States, for or in aid of any of the purposes of this act and enter into agreements in connection with the donations, contributions, revenues, capital grants or gifts;

(9) Invest money of the corporation in investments that would be eligible investments for a municipality or county in the state and name and use depositories for its money with a bank or trust company which is a member of the Federal Deposit Insurance Corporation;

(10) Identify, investigate, document and nominate properties meeting established criteria to the creating local government or local governments for initiation and exercise of eminent domain procedures in accordance with state law; provided that any real property taken by eminent domain, if transferred to or acquired by the corporation shall only be disposed of by the corporation in a manner which does not violate § 29-17-102;

(11) Enter into contracts which do not violate § 29-17-102, for the management of or the sale of real property in the land bank; such power shall include the power to preserve the value or prevent diminution of the value of any such property until disposed of by the corporation, including the following actions:

(A) Design, develop, construct, demolish, reconstruct, rehabilitate, renovate, relocate, and otherwise improve real property or rights or interests in real property;

(B) Fix, charge and collect rents, fees and charges for the use of real property of the land bank and for services provided by the corporation;

(C) Grant or acquire a license, easement, lease, as lessor and as lessee, or option with respect to real property in the land bank; and

(D) Enter into limited partnerships, limited joint ventures and other limited collaborative relationships with local governments and other public and private entities within the designated boundary for the ownership, management, development, and disposition of real property; and

(12) Do all other things necessary or convenient to achieve the objectives and purposes of the corporation related to the real property held in the land bank.

13-30-110.

(a) The corporation may acquire real property or interests in real property for the land bank by gift, devise, transfer, exchange, foreclosure, purchase, or otherwise on terms and conditions and in a manner the corporation considers proper.

(b) The corporation may acquire real property by purchase contracts, lease purchase agreements, installment sales contracts or land contracts, and may accept transfers from municipalities or counties upon such terms and conditions as agreed to by the corporation and the local government.

(c) The corporation shall maintain all of its real property and real property held in the land bank in accordance with state law and the laws and ordinances of the jurisdiction in which the real property is located.

(d) The corporation shall not own or hold real property located outside the jurisdictional boundaries of the local governmental entity or entities that created the corporation; provided, however, that the corporation may be granted authority pursuant to an intergovernmental cooperation agreement with another municipality or county to manage and maintain real property located within the jurisdiction of such other municipality or county.

(e) Notwithstanding any other provision of law to the contrary, any municipality or county may convey to the corporation real property and interests in real property on such terms and conditions, and according to such procedures, as determined by the legislative body of the local government conveying the real property to the corporation.

13-30-111.

(a) The corporation shall hold in its own name all real property acquired by the corporation for the land bank irrespective of the identity of the transferor of such property.

(b) The corporation shall maintain and make available for public review and inspection an inventory of all real property held for the land bank. In addition to referrals to public access, routine, printed, real property records or those on municipal and county electronic database files, the corporation is authorized to maintain an independent, publicly available, electronic inventory via the creating local government or local government's Web site with any combination of pictures, informal descriptions, legal descriptions and addresses as the board may deem appropriate to its purposes related to real property in the land bank. The corporation is obligated to make reasonable efforts to ensure that information contained in any independent, electronic inventory is practically accurate or to ensure that a prominent disclaimer of accuracy is prominently displayed to any potential viewer.

(c) The corporation shall determine and set forth in policies and procedures of the board of directors, the general terms and conditions for consideration to be received for the transfer of real property and interests in real property, which consideration may take the form of monetary payments and secured financial obligations, covenants and conditions related to the present and future use of the property, contractual commitments of the transferee, and such other forms of consideration as determined by the board of directors to be in the best interest of the corporation related to real property in and for the land bank.

(d) The corporation may convey, exchange, sell, transfer, lease as lessee, grant, release and demise, pledge and hypothecate any and all interests in, upon or to real property of the land bank, to the extent authorized by the legislative body of the creating local government or local governments and in a manner which does not violate § 29-17-102.

(e) The legislative body of the local government or local governments creating the corporation, are authorized to establish a hierarchical ranking of priorities for the use of real property conveyed to the corporation for the land bank including, but not limited to:

- (1) Use for purely public spaces and places;
- (2) Use for affordable housing;
- (3) Use for retail, commercial and industrial activities; or
- (4) Use as wildlife conservation areas, and such other uses and in such hierarchical order as determined.

(f) The creating local government or local governments are authorized to require that any particular form of disposition of real property, or any disposition of real property located within specified jurisdictions which is held by the corporation in the land bank, be subject to specified voting and approval requirements of the board of directors. Except and unless restricted or constrained in this manner, the board of directors may delegate to officers and employees the authority to enter into and execute agreements, instruments of conveyance and all other related documents pertaining to the conveyance of real property held by the corporation as real property for the land bank.

13-30-112.

(a) The board shall cause minutes and a record to be kept of all its proceedings and such records shall be available for timely public inspection. All meetings shall be open to the public with appropriate notice published in accordance with Section 13-30-107(d).

(b) The board shall publish a report on an annual basis to its creating local government or local governments. This annual report must contain a detailed financial accounting of the corporation's debt obligations, income (sources and amounts), properties, dispositions, expenditures, acquisitions, contracts (executed and pending within the next ninety (90) days), significant activities and other data as required by organizational bylaws and governance documents. This report shall be maintained on file for audit purposes and immediately available to the Department of Audit in the office of the comptroller of the treasury upon request. Additionally, all such reports shall be available for public inspection.

(c) The board of directors of the corporation shall cause an annual audit to be made of the books and records of the corporation. With prior approval of the comptroller of the treasury, the audit may be performed by a licensed certified public accountant selected by the corporation. If a licensed certified public accountant is employed, the audit contract between the corporation and the licensed certified public accountant shall be on contract forms prescribed by the comptroller of the treasury. The cost of any audit shall be paid by the corporation. The comptroller of the treasury, through the department of audit, shall be responsible for determining that the audits are prepared in accordance with generally accepted government auditing standards and that the audits meet the minimum standards prescribed by the comptroller of the treasury.

(d) In the event the governing body of the corporation fails or refuses to have the audit prepared, then the comptroller of the treasury may appoint a licensed certified public accountant, or direct the Department of Audit, to prepare the audit, the cost of the audit to be paid by the corporation.

(e) A copy of the annual audit referenced in subsection (c) shall be filed annually with the creating local government or local governments.

13-30-113. A corporation created pursuant to this chapter may be dissolved in the manner established by the creating local government or local governments or otherwise in accordance with general law for the dissolution of a public corporation.

13-30-114. No member of the board or employee of a corporation shall acquire any interest, direct or indirect, in real property acquired or held by the corporation. No member of the board or employee of the corporation shall have any interest, direct or indirect, in any contract or proposed contract for materials or services to be furnished or used by the corporation. The board may adopt supplemental rules and regulations addressing potential conflicts of interest and ethical guidelines for members of the board and employees of the board or corporation.

13-30-115. This act shall be construed liberally to effectuate the legislative intent and the purposes as complete and independent authorization for the performance of each and every act and thing authorized by this act, and all powers granted shall be broadly interpreted to effectuate the intent and purposes and not as a limitation of powers. Except as otherwise expressly set forth in this act, in the exercise of its powers and duties under this act and its powers relating to property held in the land bank, the corporation shall have complete control as fully and completely as if it represented a private property owner and shall not be subject to restrictions imposed by the charter, ordinances or resolutions of a local unit of government.

13-30-116.

(a) In accordance with existing provisions of Tennessee Code Annotated, §§ 67-5-2505, 67-5-2507, 67-5-2508, 67-5-2509, and 67-5-2514, the corporation is exempt from any state taxation.

(b) Additionally, the corporation has the power to pay any unpaid taxes due and owing by the owner of record of the real property, or make any government mandated improvements to the property, in exchange for the deed of real property to the corporation.

(c) All proceeds from the sale of real property held in the land bank shall be returned to the corporation.

(d) All corporate revenue shall be held by the board of directors, and proceeds shall only go to furthering the aims of the acquisition and/or resale of real property by the corporation for the land bank.

13-30-117.

(a) A corporation shall be authorized to file an action to quiet title as to any real property in which the corporation has an interest. For purposes of any and all such actions, the corporation shall be deemed to be the holder of sufficient legal and equitable interests, and possessory rights, so as to qualify the corporation as adequate complainant in such action.

(b) Prior to the filing of an action to quiet title, the corporation shall conduct an examination of title to determine the identity of any and all persons and entities possessing a claim or interest in or to the real property. Service of the complaint to quiet title shall be provided to all such interested parties by the following methods:

(1) Registered or certified mail to such identity and address as reasonably ascertainable by an inspection of public records;

(2) In the case of occupied real property by registered or certified mail, addressed to "occupant";

(3) By posting a copy of the notice on the real property;

(4) By publication in a newspaper of general circulation in the municipality in which the property is located;

(5) By electronically publishing notices with addresses and descriptions via the municipality's Web site; and

(6) Such other methods as the court may order.

(c) As part of the complaint to quiet title, the corporation shall file an affidavit identifying all parties potentially having an interest in the real property, and the form of notice provided.

(d) The court shall schedule a hearing on the complaint within ninety (90) days following filing of the complaint, and as to all matters upon which an answer was not filed by an interested party, the court shall issue its final judgment within one hundred twenty (120) days of the filing of the complaint.

(e) A corporation shall be authorized to join in a single complaint to quiet title one (1) or more parcels of real property.

13-30-118.

(a) The creating local government or local governments shall establish an appeal procedure as described in this section for any person aggrieved by the decision of the corporation with respect to real property proposed for acquisition or acquired by, held and disposed of by the corporation for the land bank.

(b) The legislative body of the local government is authorized to create an appeals committee or a joint appeals committee if more than one (1) local government created the corporation. Any person aggrieved by the decision of the corporation concerning any aspect of this act may obtain review of the official's decision by requesting an appeal of the decision of the official in written form to the appeals committee within ten (10) days of the date of the official's decision.

(c) The appeals committee shall hear the appeal within thirty (30) days of the written request for appeal.

(d) The appeals committee shall consider the appeal and render a decision on all hearings within thirty (30) days of the hearing date, unless the hearing is continued from time to time by a majority vote of the committee for further information.

(e) The appeals committee shall act as a quasi-judicial body whose purpose is to determine whether the corporation followed proper and authorized procedures related to the acquisition or disposal of real property held in the land bank, its applicability to the appellant, and to rule upon the actions of the official. The appeals committee shall not be bound by formal rules of evidence applicable to the various courts of the state.

(f) Hearings before the appeals committee shall proceed as follows:

(1) The corporate official shall explain his decision and the reasons for his decision related to the real property at issue;

(2) The appellant shall explain his reasons for protesting the decision of the official;

(3) The appeals committee may request further information from any corporate official. The appeals committee shall not have the power of subpoena;

(4) The appeals committee shall deliberate and render a decision by a majority vote as to whether the official acted appropriately in making the decision. The decision shall also include a recommendation for appropriate legislative action to be taken by the local government, if any is required or recommended, to remedy the issue in accordance with the decision rendered by the appeals committee.

(5) Decisions will be reduced to writing and copies shall be sent to all parties, including the legislative body of the local government or local governments, as appropriate, and shall become a part of the minutes of the appeals committee and the appropriate legislative body.

(6) Decisions of the appeals committee shall be final.

13-30-119.

(a) The comptroller shall monitor the actions of the corporation for a period of three (3) years from the date the corporation is created.

(b) No later than March 1st following the end of the third year of the creation of the corporation, the comptroller shall file a report with the governor and the state and local government committees of each house with recommendations concerning whether the pilot project should be continued, expanded or discontinued, together with recommended legislative actions based on such decision.

SECTION 2. If any provision of this act or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision or application, and to that end the provisions of this act are declared to be severable.

SECTION 3. This act shall take effect July 1, 2012, the public welfare requiring it.

SENATE BILL NO. 3223

PASSED: April 26, 2012



RON RAMSEY
SPEAKER OF THE SENATE



BETH HARWELL, SPEAKER
HOUSE OF REPRESENTATIVES

APPROVED this 21st day of May 2012



BILL HASLAM, GOVERNOR

TITLE

AN ORDINANCE TO AMEND TITLE 13, TITLED "PROPERTY MAINTENANCE REGULATIONS," OF THE CODE OF ORDINANCES, CITY OF OAK RIDGE, TENNESSEE," BY CREATING A NEW CHAPTER 6, TITLED "OAK RIDGE LAND BANK CORPORATION," TO CREATE A LAND BANK CORPORATION IN ACCORDANCE WITH TENNESSEE CODE ANNOTATED §13-30-101 ET SEQ.

WHEREAS, by Resolution 11-109-11, City Council approved the *Not in Our City* conceptual plan which included establishment of a land bank program to reclaim unused, vacant, and/or undesirable land for potential housing opportunities or public use; and

WHEREAS, Tennessee Code Annotated §13-30-101 et seq. establishes the Tennessee Local Land Bank Pilot Program authorizing municipalities and counties meeting certain requirements to establish a pilot program creating a corporation with authority to operate a land bank for real property; and

WHEREAS, the City of Oak Ridge, Tennessee, meets the requirements set forth by Tennessee Code Annotated §13-30-104 to establish a pilot program; and

WHEREAS, the City desires to establish a pilot program by creating a land bank corporation to provide a tool to support economic revitalization through returning vacant, abandoned and tax-delinquent properties to productive use; and

WHEREAS, City Council hereby indicates its willingness to appropriate sufficient funds to provide for the initial administration of the corporation in accordance with Tennessee Code Annotated §13-30-104(b)(2).

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF OAK RIDGE, TENNESSEE:

Section 1. Title 13, titled "Property Maintenance Regulations," of the Code of Ordinances, City of Oak Ridge, Tennessee, is hereby amended by creating a new Chapter 6, titled "Oak Ridge Land Bank Corporation," which new chapter shall read as follows:

CHAPTER 6

OAK RIDGE LAND BANK CORPORATION

Sec. 13-601. Legislative Authority.

The City meets all requirements of, and is therefore authorized by, Tennessee Code Annotated §13-30-104(a)(1) to establish a pilot program by creating a land bank corporation in accordance with the provisions of the Tennessee Local Land Bank Pilot Program (Tennessee Code Annotated §13-30-101 et seq.).

Sec. 13-602. Findings.

City Council finds and declares as follows:

- (a) There is a need to strengthen and revitalize the economy by solving the problems of vacant, abandoned, and tax-delinquent real property and to foster the development of such property and promote economic growth.
- (b) Disinvestment in real property results in a significant amount of vacant and abandoned real property which represents lost revenue to the City and high costs associated with demolition, as well as spreading neighborhood deterioration.

- (c) A land bank can be an effective tool to facilitate the return of vacant, abandoned and tax-delinquent real properties to productive use, thereby supporting economic revitalization.
- (d) There is a need for a land bank to function within the jurisdictional boundaries of the City of Oak Ridge.

Sec. 13-603. Creation.

The Oak Ridge Land Bank Corporation is hereby created pursuant to the authority of the Tennessee Local Land Bank Pilot Program set forth in Tennessee Code Annotated §13-30-101 et seq. By such statute, the Oak Ridge Land Bank Corporation has authority to create a land bank for real property located within the boundaries of Oak Ridge. For purposes of this chapter, "land bank" means real property, however obtained or acquired and held by the Oak Ridge Land Bank Corporation, with the intent of acquiring and holding on the real property so acquired until such time as the corporation is able to find a willing and able buyer to acquire the real property from the corporation. [Tennessee Code Annotated §13-30-101 et seq., Tennessee Code Annotated §13-30-107]

Sec. 13-604. Board of Directors.

- (a) Number and Qualifications of Directors. The Oak Ridge Land Bank Corporation's Board of Directors shall consist of seven (7) directors, one of which shall be a member of City Council. All directors shall be electors and taxpayers in the City of Oak Ridge. Preference may be given for persons in the following fields: banking, real estate, and legal. [Tennessee Code Annotated §13-30-105]
- (b) Appointment of Directors. Directors shall be appointed by City Council using the election process for boards and commissions.
- (c) Terms of Directors. The City Council member shall serve until expiration of his or her current term of office on City Council. Of the remaining directors first appointed, three (3) directors shall serve through December 31, 2014, and three (3) directors shall serve through December 31, 2015, and thereafter the term of office shall be two (2) years commencing on January 1. In case of resignation, death, or removal from office, another appointment will be made to finish out the unexpired term of office. Directors shall continue to serve beyond the end of the director's term until the director's successor has been appointed. [Tennessee Code Annotated §13-30-105]

Sec. 13-605. Meetings, Quorum, Majority Vote, Officers, Rules and Regulations, Removal, Compensation, Organization, Minutes, Report, Audit.

- (a) Meetings. The board shall meet in regular session according to a schedule adopted by the board, and shall also meet in special session as convened by the chairman or upon written notice signed by a majority of the members. [Tennessee Code Annotated §13-30-106]
- (b) Quorum. The presence of a majority of the total board membership constitutes a quorum for the transaction of any business. [Tennessee Code Annotated §13-30-106]
- (c) Majority Vote. Unless a greater number or percentage is required by State law, the affirmative vote of a simple majority of the directors present and voting at any meeting at which a quorum is present shall be the action of the corporation. However, no action of the board shall be authorized on the following matters unless approved by a majority of the total board membership:

- (1) Adoption of bylaws and other rules and regulations for conduct of the business of the corporation;
- (2) Hiring or firing of any employee or contractor of the corporation; however, this function may be delegated by majority vote of the total board membership to a specified officer or committee of the corporation under such terms and conditions and to the extent specified by the board;
- (3) The incurring of debt;
- (4) Adoption or amendment of the annual budget; and
- (5) Sale, lease, encumbrance, or alienation of real property, improvements, or personal property with a value of more than fifty thousand dollars (\$50,000.00).

Vote by proxy is not permitted. [Tennessee Code Annotated §13-30-106]

- (d) Officers, Duties. At the first meeting each year, the board of directors shall select from among themselves a chairman, a vice chairman, a treasurer, and such other officers as the board may determine, and shall establish their duties as may be regulated by rules adopted by the board. [Tennessee Code Annotated §13-30-106]
- (e) Rules and Regulations, Removal of Member by Board. The board of directors shall establish rules and regulations relative to the attendance and participation of members in its meetings, regular or special. No rules or bylaws may contravene state law. Such rules and regulations may prescribe a procedure whereby, should any member fail to comply with such rules and regulations, such member may be disqualified and removed automatically from office by no less than a majority vote of the remaining members of the board, and that member's position shall be vacant as of the first day of the next calendar month. Any person removed under the provisions of this subsection shall be ineligible for reappointment to the board, unless such reappointment is confirmed unanimously by the board. [Tennessee Code Annotated §13-30-106, Tennessee Code Annotated §13-30-107]
- (f) Removal of Member by City Council. Any citizen or group of citizens upon collection of a petition having a clearly worded purpose, of at least twenty (20) verified signatures of qualified, registered Oak Ridge voters may present to City Council a resolution calling for the removal of any board member. City Council shall have the power, upon timely and due consideration of the citizen petition and a response from the board, to remove or retain the cited board member by simple majority vote. Removal from the board of directors of any public official shall not, in and of itself, impair the public official in his or her other duties. [Tennessee Code Annotated §13-30-106]
- (g) Compensation. Board members serve without compensation. [Tennessee Code Annotated §13-30-106]
- (h) Organization. Board members have the power to organize and reorganize the executive, administrative, clerical, and other departments of the corporation and to fix the duties, powers, and compensation of all employees, agents, and consultants of the corporation. The board may reimburse any member for expenses actually incurred in the performance of duties on behalf of the corporation. [Tennessee Code Annotated §13-30-106]
- (i) Minutes. The board of directors shall cause minutes and a record to be kept of all its proceedings and such records shall be available for timely public inspection. [Tennessee Code Annotated §13-30-112, Tennessee Code Annotated §13-30-107]

- (j) Open Meetings. All meeting shall be open to the public with appropriate notice published in accordance with Tennessee Code Annotated §13-30-107(d). [Tennessee Code Annotated §13-30-112]
- (k) Annual Report. An annual report shall be filed with City Council, containing a detailed financial accounting of the corporation's debt obligations, income (sources and amounts), properties, dispositions, expenditures, acquisitions, contracts (executed and pending within the next ninety (90) days), significant activities, and other data as required by the organizational bylaws and governance documents. This annual report shall be maintained on file for audit purposes and immediately available to the Department of Audit in the Office of the Comptroller of the Treasury upon request. Additionally, all such reports shall be available for public inspection. [Tennessee Code Annotated §13-30-112]
- (l) Annual Audit. An annual audit shall be made of the books and records of the corporation. A copy of the audit shall be filed annually with City Council. [Tennessee Code Annotated §13-30-112(c) and (e)]

Sec. 13-606. Powers.

The Oak Ridge Land Bank Corporation has all powers as set forth in the Tennessee Local Land Bank Pilot Program except as limited by this chapter. [Tennessee Code Annotated §13-30-101 et seq.]

Sec. 13-607. Taxation.

By Tennessee Code Annotated §13-30-104 the Oak Ridge Land Bank Corporation is performing a public function on behalf of the City and is a public instrumentality of the City. Accordingly, the Oak Ridge Land Bank Corporation and all properties of the corporation, including all properties held in the name of the corporation in the land bank, at any and all times owned by it, and the income and revenues from the properties are exempt from all taxation in the State of Tennessee.

Sec. 13-608. Real Property, Inventory List.

The Oak Ridge Land Bank Corporation shall hold in its own name all real property acquired by the corporation for the land bank irrespective of the identity of the transferor of such property. The Oak Ridge Land Bank Corporation shall comply with the provisions of Tennessee Code Annotated §13-30-111 which includes, but is not limited to, maintenance of an inventory for all real property held by the corporation, and establishment of terms and conditions for consideration to be received by the corporation for property transfers.

Sec. 13-609. Conveyance of Property.

The Oak Ridge Land Bank Corporation may convey, exchange, sell, transfer, lease as lessee, grant, release and demise, pledge and hypothecate any and all interests in, upon or to real property of the land bank. All land bank properties shall be sold or leased at fair market value. [Tennessee Code Annotated §13-30-111(d)]

Sec. 13-610. Priorities for the Use of Real Property in the Land Bank.

City Council is authorized by Tennessee Code Annotated §13-30-111(e) to establish a hierarchical ranking of priorities for the use of real property conveyed to the Oak Ridge Land Bank Corporation as part of the land bank. City Council may establish such priorities by resolution.

Sec. 13-611. Appeal Procedure.

City Council hereby establishes the following appeal procedure for any person aggrieved by the decision of the Oak Ridge Land Bank Corporation with respect to real property proposed for acquisition or acquired by, held, and disposed of by the Oak Ridge Land Bank Corporation.

The Board of Building and Housing Code Appeals shall act as the appeals committee required by Tennessee Code Annotated §13-30-118 and all procedures set forth therein shall be followed for these appeals.

Sec. 13-612. Dissolution.

The Oak Ridge Land Bank Corporation may be dissolved in accordance with general law for the dissolution of a public corporation absent any establishment by City Council for dissolution of the corporation. [Tennessee Code Annotated §13-30-113]

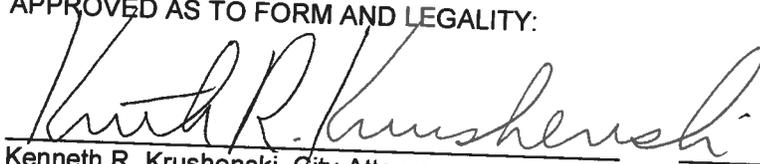
Section 2. In accordance with Tennessee Code Annotated §13-30-104(b)(1), the Mayor and/or the City Manager hereby are authorized to and shall certify to the Tennessee Secretary of State evidence of authorization for the City of Oak Ridge, Tennessee, to establish the pilot program and create the corporation.

Section 3. In accordance with Tennessee Code Annotated §13-30-104(b)(2), City Council hereby indicates its willingness to appropriate sufficient funds to provide for the initial administration of the corporation.

Section 4. The following properties owned by the City of Oak Ridge shall automatically be transferred to the Oak Ridge Land Bank Corporation by Quit Claim Deed without further City Council action: 214 Waltham Place, 121 Goucher Circle, 112-114 Wade Lane, 608 W. Outer Drive, 175 Outer Drive, 110-112 Walnut Lane, 114-116 Lawton Road, 212-214 N. Illinois Avenue, 134 Houston Avenue, 133 Johnson Road, 101 Decatur Road, and 116 Jarrett Lane.

Section 5. 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:


Kenneth R. Krushenski, City Attorney

Thomas L. Beehan, Mayor

Diana R. Stanley, City Clerk

First Reading: 08/12/2013
Publication Date: 08/19/2013
Second Reading: 09/09/2013
Publication Date: _____
Effective Date: _____

COMMUNITY DEVELOPMENT MEMORANDUM
13-21

DATE: July 25, 2013
TO: Mark S. Watson, City Manager
FROM: Kathryn Baldwin, Community Development Director
SUBJECT: RESIDENTIAL RENTAL DWELLING UNIT INSPECTION ORDINANCE AMENDMENT

Introduction

An item for City Council's consideration is an amendment to the existing Residential Rental Dwelling Unit Inspection ordinance (City Code §§13-501 et seq.) to expand the current residential rental inspection district from the Highland View Redevelopment Area into the Manhattan District Overlay. The proposed amendment also addresses a housekeeping issue by referencing the City Manager or the City Manager's designee instead of the Community Development Director.

Background

The Residential Rental Dwelling Unit Inspection ordinance was adopted by City Council in 2007 pursuant to the authority granted to the City by Tennessee Code Annotated §§13-21-301 through 13-21-314. This statute allows the City to create residential rental inspection districts and inspect residential rental dwelling units within the district that are deteriorated or are in the process of deteriorating. Certain criteria must be met by statute in order to establish a residential rental inspection district. At the time of initial adoption, City Council established the Highland View Redevelopment Area as the only residential rental inspection district.

The current ordinance sets forth an inspection program consisting of an initial inspection, periodic inspections, and follow-up inspections. By state law, inspection fees cannot be assessed, however, there is a provision for a \$50.00 per day penalty for refusal of an owner to comply with the ordinance which includes failure to allow an inspection.

Over the past year, the City has undergone significant changes in how staff approaches housing property maintenance. The City has taken a more proactive role in nuisance abatement and grant supported acquisition and demolition of the worst maintained properties, both rental and owner-occupied. To date, there are repeated cases of property neglect and substandard housing that could effectively be addressed by an expanded rental inspection program.

Consideration

Staff recommends expansion of the residential rental inspection district from Highland View Redevelopment Area into the Manhattan District Overlay (MDO). The MDO has approximately 1,724 rental units out of a total of 5,520 residential dwellings. These numbers indicate thirty one percent (31%) of the total dwellings in the MDO are rental property and will be subject to the provisions of the residential rental dwelling unit inspection ordinance if it is amended to expand the district.

The decision to focus on rental property within the MDO was proposed to address the ongoing deterioration of our rental housing stock and public calls for an effective measure designed to combat rental property blight. Further, the MDO meets the criteria set forth by statute and city ordinance for creation of a residential rental inspection district.

Recommendation

Staff recommends approval of the attached ordinance to expand the residential rental inspection district to the MDO which is an effort to improve the rental housing stock and quality of life within the MDO by ensuring continued compliance with housing codes and environmental standards. The attached ordinance also addresses a housekeeping issue by referencing the City Manager or the City Manager's designee instead of the Community Development Director, which is consistent with other ordinances in the City Code.

Attachment(s)


Kathryn Baldwin

City Manager's Comments:

I have reviewed the above issue and recommend Council action as outlined in this document.


Mark S. Watson


Date

TITLE

AN ORDINANCE TO AMEND TITLE 13, TITLED "PROPERTY MAINTENANCE REGULATIONS," CHAPTER 5, TITLED "RESIDENTIAL RENTAL DWELLING UNIT INSPECTIONS," BY DELETING SUBSECTION 13-503(3), TITLED "DIRECTOR," IN ITS ENTIRETY AND SUBSTITUTING THEREFOR A NEW SUBSECTION 13-503(3), TITLED "CITY MANAGER"; BY DELETING SUBSECTION 13-504(2)(A), TITLED "HIGHLAND VIEW REDEVELOPMENT AREA," AND SUBSTITUTING THEREFOR A NEW SUBSECTION 13-504(2)(A), TITLED "MANHATTAN DISTRICT OVERLAY"; AND TO REPLACE ALL REFERENCES WITHIN THE CHAPTER TO "DIRECTOR" TO NOW BE "CITY MANAGER," WITH ALL CHANGES FOR THE PURPOSE OF EXPANDING THE RESIDENTIAL RENTAL INSPECTION DISTRICT AND OTHER HOUSEKEEPING UPDATES.

WHEREAS, pursuant to Tennessee Code Annotated §13-21-301 through §13-21-314 (created by Public Chapter 949 of the Public Acts of 2006), the City is authorized to enact a residential rental dwelling unit inspection ordinance to address properties within designated districts that are deteriorating or are in the process of deteriorating in order to promote the health, safety and welfare of the citizens; and

WHEREAS, the City has established such an ordinance in City Code Title 13, Chapter 5, and has designated one residential rental inspection district known as the Highland View Redevelopment Area; and

WHEREAS, the City desires to establish a broader residential rental inspection district known as the Manhattan District Overlay which is a zoning designation established by the Zoning Ordinance and which area incorporates the existing Highland View Redevelopment Area; and

WHEREAS, the Manhattan District Overlay meets the requirements set forth in state law and city ordinance regarding establishment of a residential rental inspection district, specifically the need to protect public health, safety and welfare of the occupants of the dwelling units inside the geographic area; the residential rental dwelling units within the geographic area are deteriorating or in the process of deteriorating and inspections are needed to prevent deterioration, taking into account the number, age and condition of the units inside the geographic area; and inspections are necessary to maintain health, safety and welfare of tenants and other residents living in the geographic area; and

WHEREAS, City Council hereby designates the geographic area referred to as the Manhattan District Overlay as a residential rental inspection district; and

WHEREAS, City Council hereby finds that the Manhattan District Overlay meets the requirements set forth in Tennessee Code Annotated §13-21-302(a)(2) for establishment as a residential rental inspection district; and

WHEREAS, the City desires to amend the chapter to replace all references to the "Director" with "City Manager" for consistency with other code provisions.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF OAK RIDGE, TENNESSEE:

Section 1. Title 13, titled "Property Maintenance Regulations," Chapter 5, titled "Residential Rental Dwelling Unit Inspections," Section 13-503, titled "Definitions," is hereby amended by deleting Subsection (3), titled "Director" in its entirety and substituting therefor a new Subsection (3), titled "City Manager," which new subsection said read as follows:

Section 13-503. Definitions.

- (3) "City Manager." City Manager means the City Manager or the City Manager's duly authorized designee.

Section 2. Title 13, titled "Property Maintenance Regulations," Chapter 5, titled "Residential Rental Dwelling Unit Inspections," is hereby amended by replacing all references to the "Director" with "City Manager."

Section 3. Title 13, titled "Property Maintenance Regulations," Chapter 5, titled "Residential Rental Dwelling Unit Inspections," Section 13-504, titled "Residential Rental Inspection Districts," of the Code of Ordinances, City of Oak Ridge, Tennessee, is hereby amended by deleting Subsection (2)(a) in its entirety and substituting therefor a Subsection (2)(a) which shall read as follows:

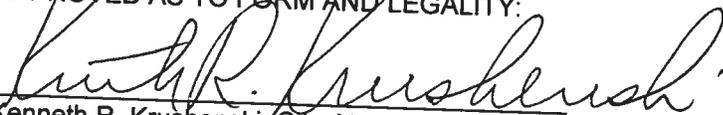
Section 13-504. Residential Rental Inspection Districts.

- (2) (a) Manhattan District Overlay

The geographic area of this district is established by zoning designation. The Manhattan District Overlay is a zoning overlay district contained in the Zoning Ordinance pertaining to the older core neighborhoods.

Section 4. 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:


Kenneth R. Krushenski, City Attorney

Thomas L. Beehan, Mayor

Diana R. Stanley, City Clerk

First Reading: 8/12/2013
Publication Date: 8/19/2013
Second Reading: _____
Publication Date: _____
Effective Date: _____

ELECTIONS

&

APPOINTMENTS

ANNOUNCEMENTS

SCHEDULING

MAYOR'S MEMORANDUM
13-02

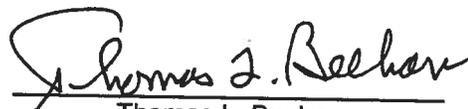
DATE: September 3, 2013
TO: Fellow Members of City Council
FROM: Mayor Thomas L. Beehan
SUBJECT: OAK RIDGE CHAMBER OF COMMERCE INITIATIVE'S STEERING COMMITTEE

On August 26, 2013, City Council approved a new contract with the Oak Ridge Chamber of Commerce which contains a section for the creation of the Initiative's Steering Committee.

The Steering Committee will determine appropriate economic development priorities, strategies, tactics, and actions, and will appropriately communicate matters with the Initiative to City Council, the Chamber Board, and other agreed upon stakeholders. The Steering Committee will provide general guidance in the management of economic development prospects, projects, and associated expenditures.

The composition of this committee is comprised of the following members: the City Manager, the President/CEO of the Chamber, the Chairman of the Chamber Board or the Chairman's designee, and the Mayor or the Mayor's designee. In accordance with conditions outlined, I will be serving as a representative for this committee.

No further action by City Council is required for this appointment.



Thomas L. Beehan