


**CITY COUNCIL MEMORANDUM**  
**08-21**

DATE: April 24, 2008  
TO: Honorable Mayor and Members of City Council  
FROM: James R. O'Connor, City Manager  
SUBJECT: WORK SESSION AGENDA – APRIL 28, 2008

A work session is scheduled for Monday, April 28, 2007, at **7:00 p.m. in the Municipal Building Courtroom**. The agenda is as follows:

- |     |   |   |
|-----|---|---|
| I.  | Welcome and Introductory Remarks                      | James R. O'Connor<br>City Manager   |
| II. | Presentation of the City's Proposed<br>FY 2009 Budget | James R. O'Connor<br>City Manager<br>Steven W. Jenkins<br>Deputy City Manager |

As always, feel free to contact me at 425-3550 should you have any questions.

  
\_\_\_\_\_  
James R. O'Connor

Attachments

Copy: Steven W. Jenkins, Deputy City Manager  
Janice E. McGinnis, Finance Director  
Kenneth R. Krushenski, City Attorney  
Amy Fitzgerald, Government and Public Affairs Coordinator

**FINANCE DEPARTMENT MEMORANDUM**  
**08-07**

DATE: April 24, 2008  
TO: James R. O'Connor, City Manager  
THROUGH: Steven W. Jenkins, Deputy City Manager  
FROM: Janice E. McGinnis, Finance Director  
SUBJECT: FY 2009 Budget Work Session



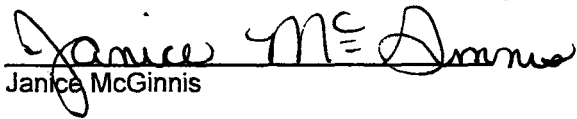
Attached is the fiscal 2009 proposed budget document, which contains a budget summary for each of the City's Funds. A new fund has been added, titled the West End Fund, to primarily account for the City's fire and ambulance services located at the ETPP site, which are currently being funded under a contract with Bechtel Jacobs. The usage of a separate Fund will provide a better segregation and accounting of the contracted expenditures and will allow for the accumulation of a fund balance that may be expended in a subsequent fiscal year.

The City's General Fund municipal expenditures are budgeted at \$18,064,507, a 4.1% increase over fiscal 2008 expenditure levels. The City's operating transfer to the Oak Ridge Schools is presented at the School Board's requested fiscal 2009 funding level of \$13,508,021. This is a 4% increase over fiscal 2008 funding levels. The Major Policy Guidelines recommended by the Budget and Finance Committee that was adopted by City Council on March 19, 2007 allows for a 4.1% increase in municipal expenditures and the operating transfer to the Oak Ridge Schools in fiscal 2009. The fiscal 2009 property tax rate is proposed at \$2.78 per \$100 of assessed valuation, which is a 13-cent increase over fiscal 2008's \$2.65 property tax rate. This is 2-cents above the Major Policy Guidelines amount, which allowed up to a 11-cent property tax rate increase in 2009.

The major drivers for the budgeted 4.1% increase in General Fund municipal expenditures includes a 2% pay adjustment for City employees, employee medical and retirement benefits, utilities for City facilities and funding for City vehicle fuel, maintenance and replacement costs. The premiums for employee medical insurance increase by 12% in January 2008, with an additional 10% increase projected for January 2009. The City's funding of the insurance premium for eligible retired City employees increased from 25% to 50%. The City's contribution to the Tennessee Consolidated Retirement System for employee retirement benefits is adjusted biennially. In fiscal 2009, the City's retirement rate increased from 11.86% of covered wages to 13.07% of covered wages.

Also attached is the latest multiyear model with each cent on the property tax rate generating approximately \$75,000 in revenue in fiscal 2009 and a listing of City department budget requests that were unable to be funded without an additional property tax increase.

Agencies budgeted for funding for economic development and/or tourism services are the Convention & Visitors Bureau (CVB), Oak Ridge Chamber of Commerce, Anderson County Economic Development Association and Roane Alliance. Agencies budgeted for social service/cultural programs funding include Aid to Distressed Families of Appalachian Counties (ADFAC), Anderson County Health Council (ACHC) for the Healthy Start program, Arts Council of Oak Ridge, and Youth Advisory Board. Funding for these agencies remained at the fiscal 2008 level, with the exception of the CVB and Oak Ridge Chamber of Commerce, which increased 4.1%. There is a \$120,000 grant to the CVB budgeted in the Economic Diversification Fund to provide matching funds toward the construction of a new CVB facility.

  
Janice McGinnis

Attachments

**City Manager's Comments:**

I have reviewed the above issue and recommend approval of the attached ordinance.

\_\_\_\_\_  
James R. O'Connor

\_\_\_\_\_  
Date

**RESOLUTION**

WHEREAS, by Resolution No. 8-80-05, City Council adopted the *Oak Ridge City Council Strategic Plan, Fiscal Years 2006–2009*; and

WHEREAS, by Resolution No. 11-152-02, City Council created a Budget and Finance Committee whose mission is now driven by the new Strategic Plan, with a focus on *Revenue/Stabilized Taxes* and the goal, "Oak Ridge will maintain or improve its competitive property tax rate position when compared to benchmark cities," along with the objectives identified for reaching that goal; and

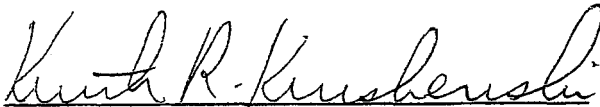
WHEREAS, in fulfillment of its mission, the Budget and Finance Committee has developed *Proposed Major Policy Guidelines* and hereby submits them to City Council for consideration of adoption.

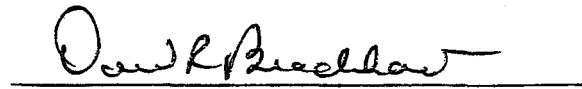
NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF OAK RIDGE, TENNESSEE:

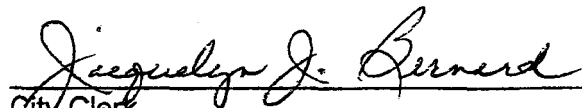
That the recommendation of the Budget and Finance Committee is approved and the attached *Proposed Major Policy Guidelines*, dated March 19, 2007, are hereby adopted as policy for accomplishing the goals and objectives identified under *Revenue/Stabilized Taxes* in the Oak Ridge City Council Strategic Plan, Fiscal Years 2006–2009.

This the 19<sup>th</sup> day of March 2007.

APPROVED AS TO FORM AND LEGALITY:

  
\_\_\_\_\_  
City Attorney

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
City Clerk

# BUDGET AND FINANCE COMMITTEE PROPOSED MAJOR POLICY GUIDELINES

March 19, 2007

1. The Committee's desired overall goal is to first stabilize the property tax rate until 2009, and second to direct specific new revenues toward achieving the longer-term goal of a more competitive property tax rate. This is described in the Oak Ridge City Council Strategic Plan, Fiscal Years 2006-2009, as adopted on August 15, 2005.
2. The property tax rate goal shall be a rate at or below the current rate of \$2.55 for FY 2008. After FY 2008, in the absence of any additional windfall revenues, future expenditure growth and tax rate increases shall be at or below the published or anticipated Government Workers Compensation (GWC) Index growth rate (currently, the 2006 GWC Index growth rate is 4.1%).
3. From FY 2008–FY 2013, consider funding all General Fund capital projects with "balanced borrowing" only, meaning projects which will not increase the property tax rate. Funding for repayment of the new high school borrowing (~\$65,000,000) is assumed to have no impact upon the tax rate during the project's 30-year repayment duration and, therefore, is not reflected in the Budget Model. All funding for high school debt repayment is to be generated from the legally dedicated sales tax revenue, Education Foundation contributions, and utilizing a portion of the debt service payments as other borrowings are paid off. All major new general obligation capital projects are currently unfunded (such as School Administration Building, preschool building, American Museum of Science and Energy, Senior Center, or new fire stations). No new capital project specific borrowing is currently planned before FY 2013.
4. The City will borrow up to \$3,000,000 for capital maintenance expenditures. The purpose of this borrowing is to pay for budgeted capital expenditures with borrowed funds. The effect of this transaction will be to strengthen the City's reserves. The related fund balance goal for future years will be to maintain a combined City and School Fund Balance of \$7,000,000. This borrowing is in keeping with Guideline 3 above as it will help the City maintain the current tax rate and increase City reserves.
5. The transfer to the Convention and Visitors Bureau (CVB) for FY 2008 and future years will increase by the same percentage as the City's budget. The proposed FY 2008 increase is based on the GWC, which is 4.1% as described in Guideline 2 above. In addition, the City will provide up to \$120,000 in matching funds from the Economic Diversification Fund for the construction of a new CVB facility. The result of this action is a minimum of a three-cent (3¢) reduction in future property tax rate increases as new hotels come on line.

6. No new City staffing shall be added through FY 2008 unless the addition of staff reduces overtime expenditures in a like amount and the requesting department is staffed at or above 98% of the currently authorized staff level, or the additional staff is fully funded through DOE or its subcontractors and a Memorandum of Understanding between DOE and the City supports the staff increases.
  
7. *Unfunded mandates or other unanticipated revenue losses* must be borne by the impacted budget component unless balancing revenues are identified by the City Manager.

CITY OF OAK RIDGE MULTIYEAR MODEL (IN THOUSANDS)

4/24/2008 13:43

	2006 ACTUAL	2007 ACTUAL	2008 PROJ.	2009 PROJ.	2010 PROJ.	2011 PROJ.	2012 PROJ.	2013 PROJ.	2014 PROJ.
<b>REVENUES:</b>									
General Property Taxes	15734	16283	17811	19378	20501	21664	22857	24082	25462
Other Property Taxes	2499	2542	2595	2715	2859	3006	3156	3308	3463
Business Taxes	1775	1725	1692	1700	1751	1804	1858	1914	1971
Licenses & Permits	465	272	291	223	225	227	229	231	233
DOE In-Lieu of Taxes	1361	1362	1414	1483	1547	1611	1675	1739	1804
Local Sales Tax	7556	7839	7975	7750	7750	7828	7906	8024	8185
Intergovernmental	2516	2660	2755	2747	2843	2943	3046	3153	3216
Hall Income Tax	445	843	650	676	703	731	760	790	822
Charges for Services	324	334	325	318	328	338	348	358	369
Fines & Penalties	322	348	312	338	348	358	369	380	391
Other Revenues	627	913	778	664	715	687	664	646	637
<b>TOTAL REVENUES</b>	<b>33624</b>	<b>35121</b>	<b>36598</b>	<b>37992</b>	<b>39570</b>	<b>41197</b>	<b>42868</b>	<b>44626</b>	<b>46552</b>
<b>TOTAL MUNICIPAL EXPENDITURES</b>	<b>15307</b>	<b>16324</b>	<b>17345</b>	<b>18065</b>	<b>18788</b>	<b>19539</b>	<b>20321</b>	<b>21133</b>	<b>21979</b>
<b>OPERATING TRANSFERS:</b>									
Gen. Purpose School Fund	11578	12070	12988	13508	14048	14610	15195	15802	16435
Solid Waste Fund	1119	1176	1277	1331	1384	1439	1497	1557	1619
Street Funds	528	550	600	635	685	735	785	785	785
Economic Diversification Fund	177	185	50	100	104	107	111	115	119
Grant Fund	168	168	168	168	168	168	168	168	168
Capital Projects Fund (Capital Maintenance)	1150	1150	0	0	1450	1550	1650	1750	1850
Debt Service	3200	3200	3500	3500	3500	3500	3500	3500	3500
<b>TOTAL OPERATING TRANSFERS</b>	<b>17920</b>	<b>18499</b>	<b>18583</b>	<b>19242</b>	<b>21339</b>	<b>22109</b>	<b>22906</b>	<b>23677</b>	<b>24475</b>
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>33227</b>	<b>34823</b>	<b>35928</b>	<b>37307</b>	<b>40126</b>	<b>41648</b>	<b>43226</b>	<b>44811</b>	<b>46454</b>
<b>REVENUES LESS EXPEND. &amp; TRANS.</b>	<b>397</b>	<b>298</b>	<b>670</b>	<b>685</b>	<b>-556</b>	<b>-452</b>	<b>-358</b>	<b>-185</b>	<b>98</b>
<b>UNRESERVED CITY FUND BAL. (BOY):</b>	<b>4661</b>	<b>5058</b>	<b>5356</b>	<b>6026</b>	<b>6711</b>	<b>6155</b>	<b>5704</b>	<b>5346</b>	<b>5161</b>
<b>UNRESTRICTED CITY FUND BAL. (EOY):</b>	<b>5058</b>	<b>5356</b>	<b>6026</b>	<b>6711</b>	<b>6155</b>	<b>5704</b>	<b>5346</b>	<b>5161</b>	<b>5259</b>
<b>SCHOOL FUND BAL. (EOY):</b>	<b>2500</b>	<b>3000</b>	<b>3000</b>	<b>3000</b>	<b>3000</b>	<b>3000</b>	<b>3000</b>	<b>3000</b>	<b>3000</b>
<b>TOTAL FUND BALANCE (EOY):</b>	<b>7558</b>	<b>8356</b>	<b>9026</b>	<b>9711</b>	<b>9155</b>	<b>8704</b>	<b>8346</b>	<b>8161</b>	<b>8259</b>
Fund Balance As % Expend. & Trans.	22.75%	24.00%	25.12%	26.03%	22.82%	20.90%	19.31%	18.21%	17.78%
<b>PROPERTY TAX RATE:</b>	<b>255</b>	<b>255</b>	<b>265</b>	<b>278</b>	<b>290</b>	<b>302</b>	<b>314</b>	<b>326</b>	<b>338</b>
<b>% INCREASE PROPERTY TAX RATE</b>	<b>0.00%</b>	<b>0.00%</b>	<b>3.92%</b>	<b>4.91%</b>	<b>4.32%</b>	<b>4.14%</b>	<b>3.97%</b>	<b>3.82%</b>	<b>3.68%</b>
<b>ASSESSMENT (0,000,000's)</b>	<b>60.60</b>	<b>63.16</b>	<b>66.64</b>	<b>69.31</b>	<b>70.35</b>	<b>71.40</b>	<b>72.48</b>	<b>73.56</b>	<b>75.03</b>
<b>Total Tax rate Increase (Annual)</b>	<b>0.0</b>	<b>0.0</b>	<b>10.0</b>	<b>13.0</b>	<b>12.0</b>	<b>12.0</b>	<b>12.0</b>	<b>12.0</b>	<b>12.0</b>
Ann. Assmnt. Growth	1.31%	3.49%	9.38%	4.01%	1.50%	1.50%	1.50%	1.50%	2.00%
Ann. Sales Tax Growth	2.12%	3.75%	1.73%	-2.82%	0.00%	1.00%	1.00%	1.50%	2.00%
Avg. Ann. Growth since 1993	2.45%	2.93%	2.53%	1.20%	0.96%	0.96%	0.97%	1.04%	1.14%
Average Household Monthly Tax Increase	0.00	0.00	2.50	3.25	3.00	3.00	3.00	3.00	2.50

**City of Oak Ridge, Tennessee - General Fund**

**Unfunded Budget Requests FY 2009 - Ongoing Expenditures**

	Description	Total Request	General Fund Impact - Annually	Tax Rate Impact (cents)
Public Works	Street Resurfacing	\$ 50,000	\$ 50,000	0.71
	Street Stripping	\$ 22,000	\$ 22,000	0.31
	Pedestrian Enhancements	\$ 12,000	\$ 12,000	0.17
Fire	Fire Specialist	\$ 70,000	\$ 70,000	1.00
	Fire Prevention	\$ 100,000	\$ 100,000	1.43
	EMS First Responder Regattas	\$ 25,000	\$ 25,000	0.36
Police	Additional Detective	\$ 53,000	\$ 53,000	0.76
	Police Dispatcher	\$ 42,000	\$ 42,000	0.60
	Additional Officer	\$ 46,000	\$ 46,000	0.66
Police and Fire	Supplemental Retirement Benefits	\$ 228,478	\$ 228,478	3.26
Parks/Rec	Supplies and Materials	\$ 20,000	\$ 20,000	0.29
	1 Additional Maintenance Worker	\$ 34,000	\$ 34,000	0.49
	Special Events Coordinator	\$ 50,000	\$ 50,000	0.71
Library	Supplies	\$ 7,250	\$ 7,250	0.10
Legal	Books	\$ 4,000	\$ 2,840	0.04
Comm. Dev.	Restore Mowing and Demolition	\$ 20,000	\$ 16,400	0.23
	Training	\$ 7,000	\$ 4,540	0.06
Personnel	HazMat Medical Evaluations	\$ 4,000	\$ 2,160	0.03
	Public Works Training for ETP	\$ 2,000	\$ 1,080	0.02
Comp. Services	Training for Computer Services	\$ 25,000	\$ 8,250	0.12
	2 Additional Positions - Computer Services	\$ 150,000	\$ 49,500	0.71
	Document Imaging	\$ 100,000	\$ 33,000	0.47
Capital Maint.	City and Schools - Total \$2,500,000 annually	\$ 1,300,000	\$ 1,300,000	18.57
	<b>Total</b>	\$ 2,371,728	\$ 844,498	31

**Unfunded Project Requests FY 2009 - One Time Expenditures**

	Description	Total Request	General Fund Impact - Annually	Tax Rate Impact (cents)
Comp. Services	Police Laptop Upgrades (30)	\$ 150,000	\$ 30,000	0.43
	City wide Fiber Backbone	\$ 2,000,000	\$ 120,000	1.71
	Telephone Upgrades	\$ 100,000	\$ 5,000	0.07
Library	Engineering Study for Renov. & Expansion	\$ 50,000	\$ 5,000	0.07
	Senior Center	\$ 3,000,000	\$ 280,000	4.00
	Municipal Building Remodel - Expansion	\$ 500,000	\$ 30,000	0.43
	<b>Total</b>	\$ 5,800,000	\$ 470,000	7

All Position Requests include benefits