

Our mission is to break down the barriers that prevent people from living the lives they want in our community.

CITY OF CHATTANOOGA PAFR 2019

SAFER STREETS | GROWING ECONOMY | STRONGER NEIGHBORHOODS

POPULAR ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019
CHATTANOOGA, TENNESSEE

HIGH PERFORMING GOVERNMENT | SMARTER STUDENTS, STRONGER FAMILIES



Mayor's Letter



**City of Chattanooga
Office of the Mayor
City Hall, 101 E. 11th St., Chattanooga, TN 37402**

December 27, 2019



Mayor Andy Berke

To the Citizens of the City of Chattanooga:

I am honored to present the City of Chattanooga's Popular Annual Financial Report for the year ended June 30, 2019. Chattanooga is a city of creators, and the city government works every day to build a brighter, better future for everyone in our community. Over the past year, this has been achieved through investing in our infrastructure, improving the quality of life in our neighborhoods, and enhancing greater economic mobility for our families. Responsibly managing our assets and making strategic use of taxpayer dollars makes these investments possible.

While Chattanooga has seen strong private sector growth, record unemployment, and rising wages, the cost of living is rising as well. This widens the inequality between Chattanoogaans and makes economic stability harder to achieve for many communities. Last year, we launched Chattanooga Dream, an initiative to find solutions that will increase economic mobility for everyone and help get more Chattanoogaans to the middle class. We also increased funding for our homeless services to ensure that everyone in our city has a roof over their heads and a foundation under their feet.

We're continuing to build smarter students and stronger families by providing high-quality curriculum for early childhood educators. This will give them the tools to help our families succeed from day one.

Creating safer streets not only includes investing in our police and fire but also enhancing the infrastructure that we all use. This year we've committed to record funding of our roadways to ensure smooth and safe passage around our city.

Lastly, we know that our neighborhoods are strongest when the members of the community feel a sense of pride for their home. That's why we've created initiatives to strengthen our communities and their history. The first is the Neighborhood Reinvestment Fund, which provides funding for small yet impactful projects in neighborhoods. We launched our city's first affordable housing fund and allocated more dollars than ever to support locally-owned small businesses that need a boost.

In everything we do, we try to break down barriers and empower Chattanoogaans to live the life of their choosing. From creating safer routes in neighborhoods to increasing early learning and supporting local businesses, we are building a strong Chattanooga and leading citizens to a higher quality of life.

Sincerely,

A handwritten signature in black ink that reads "Andy Berke".

Mayor Andy Berke
City of Chattanooga



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MESSAGE FROM THE CHIEF FINANCIAL OFFICER

Dear Citizens of Chattanooga,

We are pleased to present to you the City of Chattanooga’s Popular Annual Financial Report (PAFR) for the year ended June 30, 2019. This report summarizes the financial activities and position of the primary government of Chattanooga. The information contained herein was derived mostly from the City’s Comprehensive Annual Financial Report (CAFR), which was prepared in conformity with Generally Accepted Accounting Principles (GAAP) and independently audited. For more detailed and complete city financial information, please view the CAFR at www.chattanooga.gov/finance/finance-division/cafr.



The PAFR is intended to increase awareness throughout the community of the financial operations of the City. As such, this report is presented on a non-GAAP basis and communicates complex financial and statistical information in a user friendly manner to the citizens and other interested parties.

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial reporting to the City of Chattanooga for its PAFR for fiscal year ended June 30, 2018. The Award is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. To receive this award, a government unit must publish a PAFR, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

This award is valid for a period of one year only. We are proud to say this was the eighth year we published this report and received the award. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA. The City has also been awarded a Certificate of Achievement for Excellence in Financial Reporting by the GFOA each of the past 27 years for its CAFR.

We welcome any feedback, comments, or concerns regarding the information included in this report.

Respectfully,

Daisy W. Madison, CFO



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**City of Chattanooga
Tennessee**

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

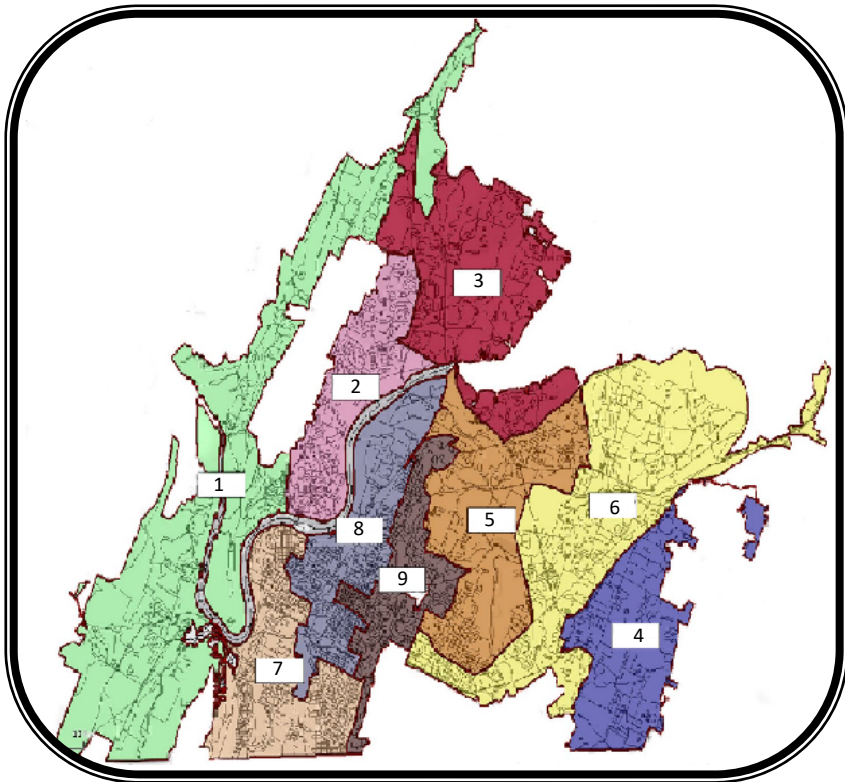
Christopher P. Morrell

Executive Director/CEO



Founded as a ferry landing and warehouse site in 1815, the City of Chattanooga was incorporated under State of Tennessee Private Acts of 1839. The City is the county seat of Hamilton County and is located near the southeastern corner of the state on the Tennessee-Georgia border. Chattanooga is centrally located in relation to other major population centers of the southeast, being within a 150-mile radius of Knoxville and Nashville, Tennessee; Birmingham, Alabama; and Atlanta, Georgia. Over 11 million people live within a 2 to 2½ hour drive of Chattanooga. It encompasses an area of 148 square miles.

Official results of the 2010 U.S. Census show a population of 167,674, a 7.8% growth since the 2000 Census. The most recent Census Bureau data shows the city with a population estimated of 180,557. The City is empowered to levy a property tax on both real and personal property located within its boundaries. Corporate limits may be extended at the request of the property owner by a referendum of the people in the affected areas that might want to petition to come into the city.



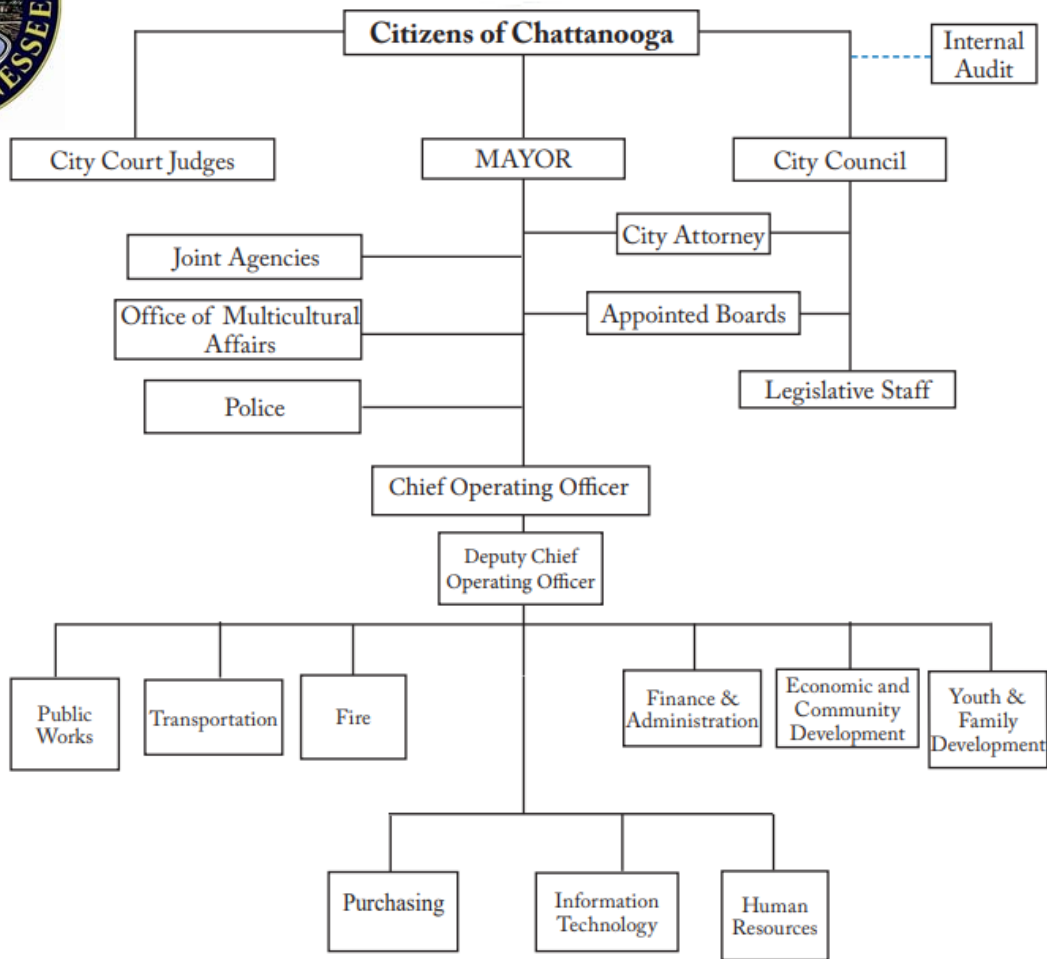
City Council

Meets each Tuesday at 6:00 p.m.

Chair person: Erskine Oglesby, Jr
District 7 (423) 643-7180

District 1	Chip Henderson	(423) 643-7186
District 2	Jerry Mitchell	(423) 643-7187
District 3	Ken Smith	(423) 643-7188
District 4	Darrin Ledford	(423) 643-7184
District 5	Russell Gilbert	(423) 643-7183
District 6	Carol Berz	(423) 643-7181
District 8	Anthony Byrd	(423) 643-7182
District 9	Demetrus Coonrod	(423) 643-7185

The City Mayor is elected at-large and is not a member of the City Council. The Council is composed of nine members, with each member being elected from one of nine districts within the geographic boundaries of the City. The Mayor and Council are elected on a non-partisan basis for four-year terms. The Mayor is the City's chief executive officer and oversees the operation of all City departments.



City Government Department Contacts:

City Council	(423) 643-7170	City Court	(423) 643-6311
Economic & Community Development	(423) 643-7300	Finance & Admin	(423) 643-7360
Fire Department	(423) 643-5600	Human Resources	(423) 643-7200
Information Technology	(423) 643-6300	Internal Audit	(423) 643-6200
Mayor's Office	(423) 643-7800	Multicultural Affairs	(423) 643-6702
City Attorney Office	(423) 643-8250	Police Department	(423) 643-5000
Public Library	(423) 643-7700	Public Works	(423) 643-6311
Purchasing	(423) 643-7230	Transportation	(423) 643-5950
Youth & Family Development	(423) 643-6400		

Through Budgeting for Outcomes, City Mayor Andy Berke has ensured the priorities of City Government are aligned with those established by the community - safer streets, smarter students and stronger families, a growing economy, stronger neighborhoods, and high performing government. From initiatives like community policing and the Chattanooga Violence Reduction Initiative to ensure every young person in Chattanooga has the opportunity to succeed, the City is relentlessly focused on building the best mid-size city in America while delivering the most efficient and effective services to our community..

What Is Happening In Our City



Manufacturing continues the resurgence that began in 2008 with the announcement that Volkswagen AG would locate its United States manufacturing headquarters in Chattanooga. Since that time, the area has attracted \$4 billion in foreign direct involvement. The Enterprise South Industrial Park hosts numerous companies associated with automobile manufacturing, as well as an Amazon distribution center. The 3,000 acre industrial site has essentially been filled or committed for additional potential expansion of the VW plant. A new SUV, designed and built specifically for the U.S. market, began production in 2016, with sales beginning in May 2017.



An additional 350 employees are being hired to produce the new 5-seat SUB model to complement the current 7-seat version, investing an additional \$340 million. Additionally, Volkswagen just announced another \$800 million expansion to the plant facility for the production of an electric vehicle, expected to go on sale in 2022. ATN Hoelzel LP, a supplier to VW, will move its manufacturing facility closer to the VW factory and also relocated its North American headquarters to Chattanooga. This \$6 million move will add an estimated 100 jobs over the next five years. Nippon Paint, a Japanese company, also announced that they will build a 270,000 square foot factory in East Chattanooga. This will be a \$61 million investment and will bring 150 new jobs. Gestamp, a supplier to VW, BMW, and Mercedes-Benz announced plans for a \$48 million expansion last March. This will bring an additional 150 jobs to the area.

Chattanooga remains a world leader in technology, having been the first city in the world to offer a one-gigabit per second internet service since 2010 through the Electric Power Board, Chattanooga's municipal power provider. In 2015, Chattanooga became the first city to offer a ten-gigabit connection to all customers in its service area. The Fiber-to-the-Home network has offered a one-gigabit per second internet service since 2010, putting Chattanooga at 10 times faster and 10 years ahead of the FCC National Broadband Plan, according to EPB officials. The ten-gigabit network is available to all 170,000 homes, schools, and businesses in the service area, a total of 600 square miles that covers urban, suburban, and rural places and a diverse population of 300,000 people. To take advantage of the ten-gigabit speed, the city has established NoogaNet in city-owned spaces and buildings to provide free Wi-Fi. A recent study by 2 major universities states areas with high-speed connectivity have a 0.26% lower unemployment rate. In 2016, EPB added 4K ultra high definition TV service, the first in the area. To date, over \$320 million has been invested in the fiber optics and smart grid. The economic impact to the area as a result of the EPB fiber optic network has approached \$1 billion since its inception according to a study at The University of Tennessee at Chattanooga. Another study estimated 4,000 jobs have been created or retained as a result.



Photo by J. P. Liu

CHATTANOOGA LARGEST EMPLOYERS

Source: Chattanooga Chamber of Commerce

Erlanger Health System	7,870
BlueCross BlueShield of Tennessee	5,193
Hamilton County Dept of Education	4,674
Tennessee Valley Authority	3,501
McKee Foods	3,100
Unum	2,800
Volkswagen Chattanooga	2,498
CHI Memorial	2,407
City of Chattanooga	2,308
Roper Corporation	1,900

Chattanooga enjoys strategic advantage related to its location, strong transportation system, natural resources and competitive cost of doing business.

Major Employment Sectors

Trade, transportation, utilities	20%
Government	14%
Manufacturing	13%
Professionals & business services	18%
Education & health	13%
Leisure & hospitality	11%

“Building Tomorrow Today”

The fourth phase of the “Chattanooga Can Do” campaign, conducted from July 2015—June 2019, set the following goals for job growth: increase regional employment by 15,121, increase private investment by \$500 million and create \$439 million in new payroll income. The results are 10,034 new jobs were created, private investment reached \$1.3 billion and new payroll income reached \$547.5 million.

June 2019 Unemployment Rates

Source: U.S. Department of Labor, Bureau of Labor Statistics

Year	U.S	TN	Chattanooga MSA
2014	6.1%	6.6%	7.1%
2015	5.3%	5.7%	6.2%
2016	4.9%	4.1%	5.1%
2017	4.4%	3.6%	4.3%
2018	3.7%	3.7%	3.4%
2019	3.7%	3.4%	3.9%

Downtown continues to add hotels, housing and office space. An extension of M. L. King Blvd. west to the Tennessee River has begun work. Plans for the immediate area include a medical office building and 180 new apartments. Miller Park, located in downtown Chattanooga, has completed a \$10.3 million renovation in the M. L. King district. Miller Park is also designed to accommodate technologically advanced productions. Free high-speed wifi is available in the park and an underground system of internet cables and electricity can support high-tech digital art.



Photo by Spackman Mossop Michaels

A Central Business Improvement District (CBID) has just been established to promote continued revitalization of the area. Within the CBID, Chattanooga has begun a \$4.9 million project to reshape the historic Patten Parkway and private redevelopment has been announced for the Lupton building and the Chattanooga Bank Building.

The Southside continues to attract additional attention. The Main Street Corridor, the primary artery within Southside, has seen the announcement of a \$40 million redevelopment project at the former Rock-Tenn facility which will be anchored by the Austin Hatcher Foundation.

Chattanooga plays host to numerous national events. Major events which took place over the past year include the Chattanooga Marathon, the Head of the Hooch rowing competition, Ironman and Ironman 70.3 World Championship.

These nationally recognized outdoor events helped Chattanooga win *Outside Magazine's* “Best Town Ever” contest in 2015.

2019 Annual Financial “Physical” Comparison

Vital Signs	Government Measurement	Chattanooga	Memphis	Nashville	Knoxville
Weight	Bond Rating (Standard & Poor's)	AAA	AA	AA	AA+
Blood Pressure	Property Tax Rate-City	2.28%	3.20%	2.76%	2.34%
Blood Pressure	Property Tax Rate-City & County	5.04%	7.25%	3.16%	4.78%
Cholesterol	Tax Levy Per Capita-City	\$760.50	\$635.71	\$1423.79	\$695.83
Height	Per Capita income**	\$44,528	\$46,620	\$57,953	\$45,739
Temperature	Population	180,557	650,618	692,587	187,500
Stress Test	Unemployment Rate	3.9%	4.8%	3.2%	3.9%
Pulse	Net Debt Per Capita	\$1,900	\$2,020	\$6,410	\$854
Blood Sugar	Net Debt as % of Personal Income	4.27%	5.37%	9.69%	3.46%

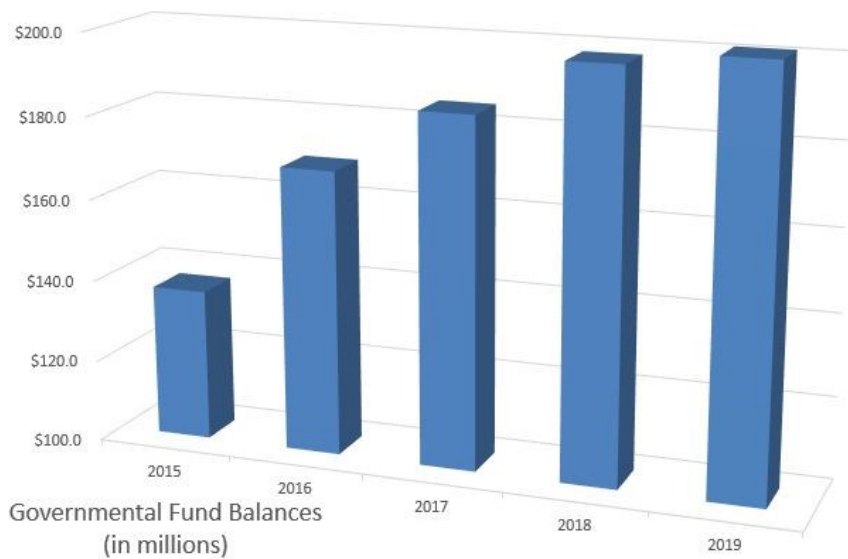
- (1) U.S. Bureau of Economic Analysis for calendar year 2018
- (2) U.S. Census Bureau State & County QuickFacts
- (3) U.S. Department of Labor Bureau of Labor Statistics

Chattanooga’s Annual Financial “Physical” is an annual report card indicating the financial health of our city. Government measurements (i.e., bond rating, etc.) used are analogous to medical vital signs. Vital signs will be reviewed annually (similar to annual physical) to determine if we improved, remained status-quo or underperformed in the areas identified by our City Finance Department as key indicators of the City’s financial health. The per capita measurements are signs of the City fiscal health condition at individual citizen’s level.



Governmental Funds consist of the following funds:

- ◆ **General Fund** is the chief operating fund of the City and is used to account for all activities except those required to be accounted for in another fund.
- ◆ **Capital Project Fund** focuses on project-to-date resources and construction of many projects within the City.
- ◆ **Special Revenue Funds** are operating funds which are restricted as to use by federal or state government and special purpose funds established by the City Council, such as State Street Aid, Hotel/Motel Tax, Regional Planning Agency, etc.
- ◆ **Debt Service Fund** accumulates resources for, and payment of, general long-term obligations.
- ◆ **Permanent Fund** accounts for resources provided to the City but with restrictions, such as the Library Endowment.



The measurement used to evaluate each fund is called fund balance which is simply an accumulation of revenues minus expenditures. Maintaining an adequate fund balance is important for any municipality because it provides a financial "safety net" in the event of emergencies, economic downturns, or other unforeseen circumstances. This year, the City’s governmental fund balance is \$201.2 million which increased \$3.0 million, or 1.5% compared to last year. The increase is mainly due to the increase in intergovernmental revenue of \$4.2 million. Over 38.8% of the fund balance, or \$78.2 million, is available for spending at the City’s discretion. The city has maintained a healthy financial position through sound fiscal management. We have a history of strong fiscal discipline, healthy reserves, and constant review of operations, being ever vigilant to find new efficiencies and cost reduction measures.

Where The Money Comes From

The General Fund

Since the day-to-day operation of the City is captured mostly in the General Fund, it will be our primary focus of discussion.

Adequate resources are essential in order to provide the municipal services the Citizens of the Chattanooga have come to expect. The categories of revenue the City receives for operation are as follows:

- ◆ Tax revenues
- ◆ Licenses, fees, and charges
- ◆ Intergovernmental revenues

This year's general fund revenue increased \$10.3 million or 3.6% from the prior year. The primary contributing factors are the growth in property taxes and intergovernmental revenue. Both are positive signs of healthy economy in Chattanooga area.

Tax Revenue Sources

(in millions)

	FY 2019	FY 2018	Change
Property tax	\$148.4	\$146.2	\$2.0
Franchise taxes	\$4.7	\$4.7	-
Liquor & Beer taxes	\$9.1	\$9.4	(\$0.3)
Gross receipts tax	\$6.0	\$5.8	\$0.2
Total	\$168.1	\$166.2	\$1.9

Taxes by far are the biggest portion of the total revenue city government receives each year. Here are some highlights of the changes during the year. In fiscal year 2019, tax revenue increased by \$1.9 million or 1.1% over the last year. This includes a \$1.2 million or 0.9% increase in property tax and an increase in payments in lieu of tax (PILOT) of \$0.9 million. These increases were offset by a decrease in other taxes, such as Corporate Intangible Property Tax and Franchise tax, which decreased \$0.4 million or 1.8%.

GENERAL FUND REVENUE



Licenses, fees and charges are revenues received for services provided by city government. \$25.2 million was collected in fiscal year 2019, which is a \$4.2 million or 20.0% increase from the prior year. Licenses and permits increased \$833,000 and building related permits increased \$302,000 or 15.4%. Other revenue increased by \$1.2 million or 20.0%, which was largely due to an increase of \$1.0 million or 18.2% in indirect costs recouped mostly from the business-type activities. Investment income increased \$806,000 or 30.2%.

Licenses, fees, and charges \$25.2 million or 8.6%



Taxes \$168.1 million or 57.4%



Intergovernmental revenues \$99.6 million or 34.0%

Intergovernmental revenues are revenues received from other governments such as city allocation of state sales tax, allocation of state income tax, gas inspection fees, county-wide sales tax, etc. In fiscal year 2019, intergovernmental revenue increased \$4.2 million, or 4.4% over the prior year. This is primarily resulting from an increase of \$2.8 million in the local option sales tax. TDZ incremental sales tax increased by \$1.4 million, both locally and at the state level. Overall increases in sales tax is an indicator of the health of the local economy.

Intergovernmental Revenue Sources

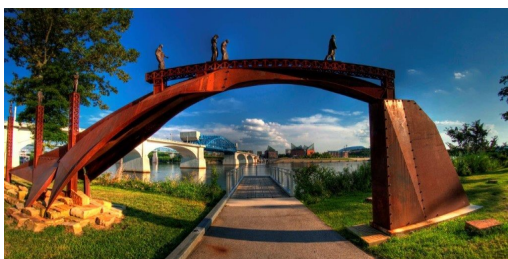
(in millions)

	FY 2019	FY 2018	Change
State of TN	\$22.6	\$22.1	\$0.5
Hamilton County	1.6	1.3	0.3
County-wide sales tax	66.2	57.8	8.4
Others	9.2	6.2	3.0
Total	\$99.6	\$87.5	\$12.1

How The Money Is Spent

To ensure the priorities of City Government are aligned with those established by the community, fiscal year 2019 general fund spending was allocated according to Mayor Andy Berke's five strategic priority areas:

- ◇ **Safer Streets 51%** - The City actively implements smart policing strategies, effective prevention programs for our youth, and high-quality response.
- ◇ **Stronger Neighborhoods 17%** - Building Strong Neighborhoods is critical to the long-term health of any City. Every Chattanooga citizen should have the opportunity to live in a thriving neighborhood with high quality affordable homes, recreation opportunities nearby, and access to a variety of transportation options.
- ◇ **Smarter Students and Strong Families 11%** - To ensure Chattanooga has a successful future and a high quality of life, the City is investing in building Smarter Students and Stronger Families by supporting kids from cradle to career, providing character education, and creating effective programming for seniors and parents.
- ◇ **Growing Economy 7%** - Growing our local economy means investing in small businesses, ensuring Chattanooga has the skills to compete, and strengthening our infrastructure to support business expansion.
- ◇ **High Performing Government 14%** - The City of Chattanooga strives each day to operate a High Performing Government by ensuring the long-term financial health of the City, using each dollar effectively, and providing excellent customer service.



General Fund Expenditures

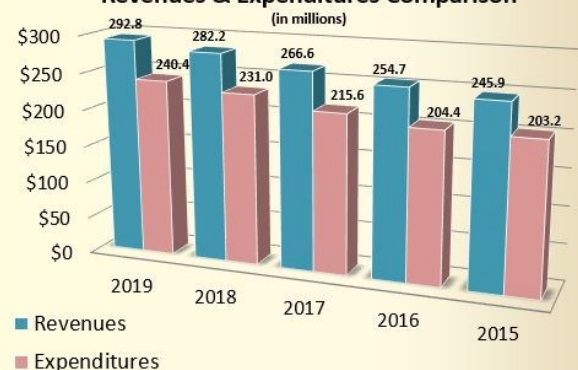
(in million)

	FY 2019	FY 2018	Change
General Government	\$59.5	\$57.5	\$2.0
Economic & Community Development	8.4	7.5	0.9
Public Safety	116.4	111.5	5.0
Public Works & Transportation	44.5	43.5	0.9
Youth & Family Development	11.7	11.0	0.7
Total	\$240.4	\$231.0	\$9.5

Here we will only focus on the chief operating fund of the City, the general fund. According to the reporting requirement of the GFOA, general fund expenditures are categorized by type of service provided. In fiscal year 2019, total expenditures increased \$9.5 million or 4.1% from the previous year. Major changes are discussed below:

- ◆ In fiscal year 2019, employee compensation increased by \$5.8 million or 4.1%. Civilian personnel making under \$50,000 received a lump sum increase of \$1,250 while all other civilians received a 2.5% increase in base pay. Sworn personnel increases were provided based on a career ladder program. The largest increase in personnel costs relates to pension costs. The General Pension contribution increase was \$700,000 or 9.8%. Fire and Police Pension contributions also increased by \$1.3 million or 6.8%.
- ◆ In the operations area, costs increased by \$3.7 million or 4.2%. The largest increases include: internal agencies of \$3.6 million or 20.2% and Information Technology of \$1.2 million or 9.1%.
- ◆ Liability fund premium decreased \$1.2 million or 60.0%.

General Fund Revenues & Expenditures Comparison



Governmental & Business-type

The City's overall financial condition is generally being reported in three distinct sections:

- Governmental activities:** primarily supported by taxes and inter-governmental revenues. Activities include General Government, Economic and Community Development, Public Safety, Public Works, Transportation, Youth and Family Development.
- Business – type activities:** costs are supported by user fees and charges for service. Activities include electric, fiber optic, sewer, water quality systems, solid waste disposal as well as the Chattanooga Downtown Re-development Corporation (CDRC) and the Tennessee Valley Regional Communications System.
- Component Units:** these entities are not part of the primary government. They are legally separate from the City of Chattanooga but the City still has oversight responsibility. These units include: The Chattanooga Metropolitan Airport Authority and the Chattanooga Area Regional Transportation Authority (CARTA).

Information in this PAFR is limited to the governmental activities and business-type activities as these are considered the primary government. Component Units are not included in this report.

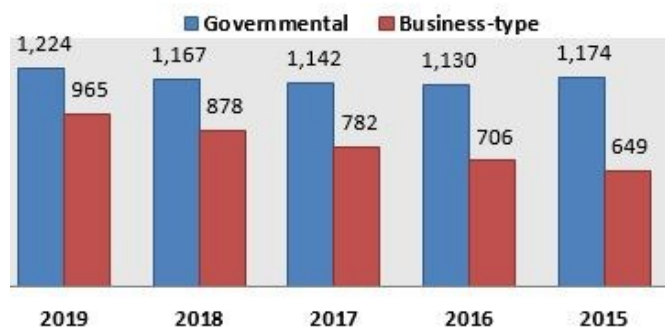
For more information on Component Units, please refer to the CAFR at www.chattanooga.gov/finance/finance-division/cafr.

Net Position

The net position is the difference between assets, deferred outflows of resources (“expenses paid for a future period”), liabilities, and deferred inflows of resources (“income received for a future period”). It serves as a useful indicator of whether the City's financial position is improving or deteriorating. Our focus changes from general fund to the City's primary government using the full accrual basis of accounting which is similar to the accounting used in the private sector.

Primary Government Net Position

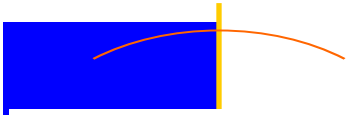
(in millions)



At the end of fiscal year 2019, the net position of the primary government, which is the combination of governmental activities and business-type activities, increased by \$143.3 million compared to last fiscal year. By far the largest portion of the City's net position, \$2.0 billion, reflects its investment in capital assets (land, buildings, equipment, infrastructure, etc), less any related debt. While capital assets are used to provide services to citizens, these assets are not available for future spending. Included in the city's net position is \$169.5 million that are subject to external restrictions on use. The remaining balance is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors. There is a \$45.7 million deficit in unrestricted net position due to recording of unfunded OPEB liabilities of \$133.4 million and unfunded pension liabilities of \$279.4 million.

City of Chattanooga Five-Year Net Position Comparison

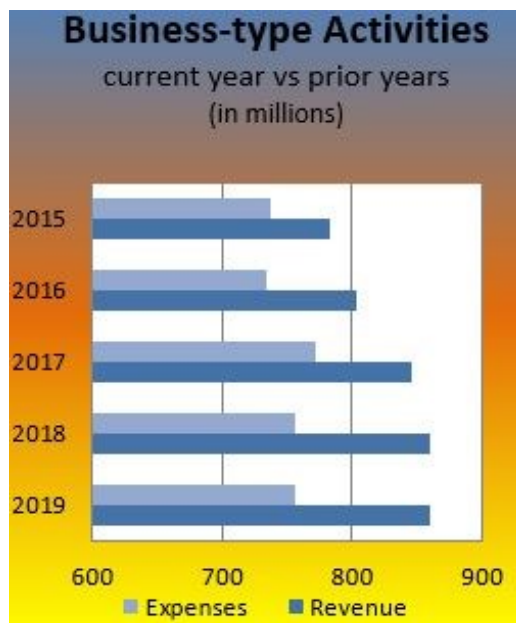
(In Millions)	2019	2018	2017	2016	2015
Governmental activities					
Net investment in capital assets *	1,324.1	1,285.9	1,278.0	1,272.4	1,275.4
Restricted	71.6	65.4	60.7	66.1	47.8
Unrestricted	(171.6)	(183.8)	(196.3)	(208.3)	(149.4)
Total governmental activities net position	1,224.1	1,167.5	1,142.4	1,130.2	1,173.8
Business-type activities					
Net investment in capital assets *	741.0	720.7	652.0	590.8	603.0
Restricted	97.9	71.0	76.1	49.2	69.4
Unrestricted	125.9	86.4	53.4	65.9	(23.1)
Total business-type activities net position	964.8	878.1	781.5	705.9	649.3
Primary government					
Net investment in capital assets *	2,065.1	2,006.6	1,930.0	1,863.2	1,878.4
Restricted	169.5	136.3	136.8	115.3	117.2
Unrestricted	(45.7)	(97.4)	(142.9)	(142.4)	(172.5)
Total primary government net position	2,188.9	2,045.5	1,923.9	1,836.1	1,823.1
* Net of related debt					



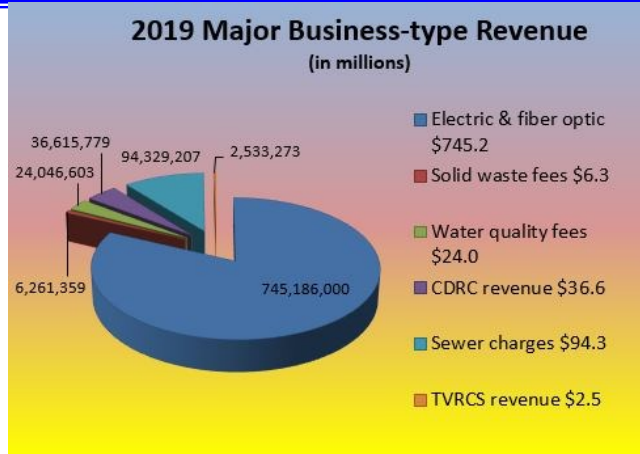
Business-type Activities

Revenue for the City's business-type activities was \$909.0 million for fiscal year 2019, a \$43.4 million or 5.0% increase. During the same time, expenses were \$822.2 million, a \$40.2 million or 5.1% increase. Here we will focus our discussion on the major business-type activities.

The largest portion of the Business-type activities is Electric Power Board (EPB). EPB is a city owned company that provides electric utility and fiber optic service for residential and commercial uses in Chattanooga and surrounding areas. EPB is managed as an enterprise operation by a board appointed by the Mayor and City Council. This year the total net position increased \$36.9 million or 8.9% to \$453.2 million, mainly due to increases in cash and investments of \$13.7 million. Operating revenues are up \$12.0 million or 1.6%. Fiber optics sales increased by \$8.2 million. For more information on the fiscal year 2019 annual report, please visit www.epb.net/about/annual-reports/.



These activities operate like private businesses with their own self-supporting revenue sources. They are not supported by taxes.



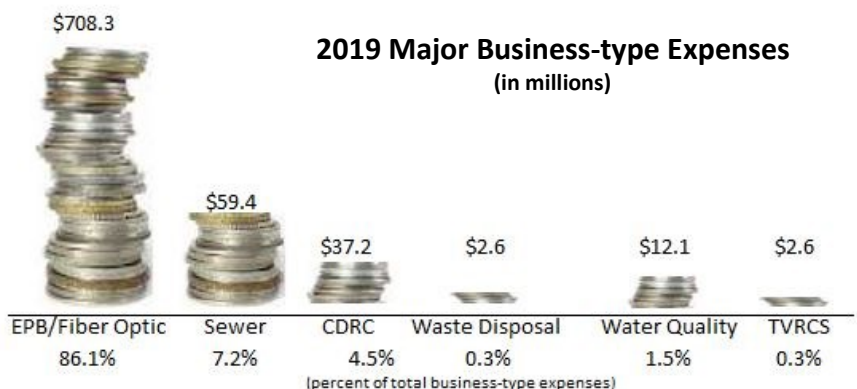
Net position of the Interceptor Sewer System increased \$35.0 million or 9.7%, to \$396.6 million. Unrestricted net position (available to finance on-going operations) increased \$19.9 million or 41.7% to \$67.6 million. An additional \$72.9 million is restricted for future capital spending, a increase of \$21.8 million.

Chattanooga Downtown Redevelopment Corporation (CDRC) accounts for redevelopment financing, operations of The Chattanooga Hotel and the Southside Parking Garage. It has a net position of \$5.1 million, a decrease of \$589,000 from last year. During the past year, CDRC sold the Chattanooga Hotel.

The City operates a municipal solid waste landfill. The primary customer is city government. The fund has a net position of \$13.0 million. To date, the City has accrued liabilities of \$4.3 million for closure and post closure care costs with adequate investments earmarked to cover these costs.

The water quality management program was established to comply with EPA guidelines. It currently has \$85.5 million in net position, an increase of \$11.9 million or 16.2% from last year. Net investment in capital is \$53.6 million leaving the amount available to fund day-to-day operations at \$27.9 million. An additional \$4.0 million is restricted for future capital spending.

The Tennessee Valley Regional Communication System Fund was established in fiscal year 2016 to account for a regional communication system that services multi-county/multi-state region. It currently has a net position of \$11.1 million, a decrease of \$69,000 from last year.



Capital Assets & Long Term Debt

Capital Assets Net of Depreciation

(in millions)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Non-depreciable:						
Land & Easements	\$1,107	\$1,079	\$22	\$22	\$1,129	\$1,101
Construction in progress	67	51	160	130	227	181
Depreciable:						
Buildings & Improvements	82	101	99	83	181	184
Vehicles & Machinery	30	31	140	84	170	115
Infrastructure	205	212	743	815	948	1,027
Total	\$1,491	\$1,474	\$1,164	\$1,134	\$2,655	\$2,608

Primary Government Long Term Debt: \$634

(In millions)



As of June 30, 2019 the City had \$634.5 million in long-term debt outstanding. This is a \$43.8 million decrease or 6.5% reduction from last year. This is mostly due to the City not issuing any new general obligation debt during fiscal year 2019.

- ◇ The city issued \$87.8 million in revenue bonds to refund \$85.6 million in revenue bonds for CDRC.
- ◇ The Interceptor Sewer System drew down \$33.5 million from a state revolving loan fund for EPA consent decree projects.
- ◇ A total of \$76.1 million in debt was retired during the fiscal year; \$62.8 million in bond principal payments were made with an additional \$13.3 million in note and lease repayments.
- ◇ The City also defeased \$3.3 million of Economic Recovery bonds due to the cancellation of one of the funded projects.

Below is a closer look at the five-year comparison of the General Obligation Debt which is supported by tax payers.

General Obligation Debt - Governmental Activities

(in millions)

	2019	2018	2017	2016	2015
Beginning Balance	\$186	\$206	\$212	\$202	\$221
Debt issued	0	1	27	47	18
Principal repaid	21	21	18	17	19
Refunded	3	0	15	20	18
Ending Balance	162	186	206	212	202
Outstanding Debt per Capita	\$900	\$1,042	\$1,163	\$1,201	\$1,162

At the end of fiscal year 2019, the City had \$2.7 billion net investment in capital assets (net of accumulated depreciation) an increase of \$47.2 million or 1.8% from last year. This investment includes land, buildings, utility system, machinery and equipment, park facilities, infrastructure, and construction in progress.

For more transparency and better measurement of the City's finances, the City Council has prudently adopted a Debt Management Policy which is intended to guide current and future decisions related to debt issued by the City. Performance is measured against benchmarks and changes are made as needed to meet the desired goals.

City Charter limits the amount of net general obligation debt the City can issue to 10% of the assessed value of all taxable property within the City's corporate limits. For the current fiscal year that limit is \$599.3 million. The City's general obligation debt, net of self-supporting debt of \$133.8 million is 22.33% of that limit. As of year end, EPB had \$246.5 million in revenue bond debt outstanding compared to \$256.7 million last year. These bonds are rated "AA+" by Standard & Poor's and by Fitch.

The City of Chattanooga maintains an "AAA" rating from Standard & Poor's and "AA+" from Fitch Inc. for general obligation debt. "AAA" is the highest rating that can be awarded to any entity.

According to credit rating agencies, any entity receives "AAA" rating means that it has an extremely strong capacity to meet its financial commitments.

This report and the Comprehensive Annual Financial Report, as well as a variety of other information, can be obtained by visiting the City's web-site:

<http://www.chattanooga.gov/finance/finance-division>



Questions, comments, or suggestions regarding this report can be directed to:

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