



**David R. Bennett, CPA, CGFM
Blount County Finance Director**

Dear Citizens of Blount County:

As fiscal 2005-06 closes, we are at the beginning of a new era in Blount County and it's a very exciting time! Our population continues to move towards 115,000. As we transform into an urban county, we are presented with many opportunities and challenges.

In our preparation for the future, Blount County is consistently looking at growth and the needs of our infrastructure. We have four new schools and three newly-renovated schools in full operation. We opened a new elementary school in August of this year. In addition, we have just embarked on a new five year capital improvements plan that will relieve overcrowding at five of the seven schools currently needing relief. The plan will purchase land for a new middle school and elementary school, convert a current middle school into a freshman academy for William Blount High School and also complete several smaller projects that are necessary for our County school system. As we anticipate and respond to the needs of a changing and growing community, we are committed to maintaining sensitivity to our quality of life including the cost of living and tax rates.

With this changing environment in mind, the Finance Committee has worked very diligently and cautiously in preparing the FY 2006-07 Budget. I am pleased to be able to present this budget to you. The overall operating budget for FY 2006-07 has been approved for \$142,396,725.

This budget document is designed to summarize the many areas of service provided by the County and to help you better understand those services. The following are some of the major points of emphasis concerning our County now and in the future:

- **Enhanced Revenues and Funded Projects:** The Blount County Commission adopted a tax rate for Fiscal Year 2006-07 of \$2.18 per \$100 assessed valuation, which is in effect a 25 cent increase over last year's rate after taking into account the effects of reappraisal. Even with this increase, Blount County still has a very low tax rate, which is just one facet of the total quality of life that makes Blount County an attractive place to live and work.
- **Continued Utilization of the Public Building Authority to Oversee Construction Projects:** The Public Building Authority (PBA) has continued to manage our capital projects, which helps to hold down costs while ensuring the County gets the most for your tax dollars. The use of the PBA allows Blount County to be on the cutting edge of cost-efficient building methodologies using the PBA legal structure to accomplish our long-term capital goals. We are fortunate to have such an entity in Blount County.
- **Continuing to Attract New Business to Blount County:** The County Commission continues its priority of visionary progress by being "business friendly" in order to increase and diversify the job and tax base. During the previous fiscal year, our largest employer, Denso, Inc. chose their Blount County location for a major investment expansion which will provide about \$100 million in new investment and over 1,500 new jobs. With this addition, Denso's choice of the Blount County location over sites in both California and Mexico solidifies that Blount County is an excellent location for business. Partnership Park South, our newest functional industrial park, is becoming a vital part of our economic resources. Two new companies are open and doing business in the park and the Blount County Economic Development Board has approved and begun construction on a 50,000 square foot "spec" building to help draw potential new partners to our area. These activities are all done within a unique partnership with the cities of Alcoa and Maryville to ensure the basic infrastructure is here in Blount County to help make the decision to locate or expand in Blount County an easy one.
- **Cutting Edge Economic Development Initiatives:** The County has recognized the need to diversify its' economy. With this in mind, a one-of-a-kind partnership has been created to assist with this endeavor. Blount County has entered into a partnership with the City of Alcoa, the City of Maryville and Knox County to develop a 450 acre property in Blount County for a mixed-use Research and

Development Park. This first of its' kind partnership brings together two cities along with a sister county to forge the future of not only Blount County, but the State of Tennessee and the entire United States. Partnering in this fashion allows us to combine resources and talents to make our entire region a better place to live and work. The R&D Park will begin to be developed in this fiscal year and a sound business plan has been developed to ensure it can be done in a fiscally responsible manner. When completed over the next 20 to 25 years, it is estimated to provide in excess of \$1 billion in investments and thousands of new jobs. Again, Blount County is involved in leading the economy of East Tennessee. Truly with this newest initiative, Blount County is the place where industry meets nature.

➤ **Updating and Implementing the Six-Year Capital Improvements Plan:** The County has recognized the need for a Comprehensive Capital Improvements Plan (CIP). The CIP accomplishes several things:

- Documents the County's capital plans to its citizens and other parties
- Demonstrates a method to finance those plans
- Recognizes the County's resources are limited and its ability to live within its means
- Emphasizes obtaining the highest and best use of the County's limited resources
- Demonstrates to the debt market and its citizens the County's willingness and ability to meet its obligations

Obviously, plans and priorities can and do change, but the County recognizes the value of documenting its plans and priorities at a particular point in time and on a regular basis. The current plan includes the following:

- Continuation of expansion in the two new industrial parks in order to place the County in competition for industries to grow and diversify the tax and job base
- Technology improvements for all County schools to have the technology infrastructure to communicate and learn within the 21st century
- Completion of construction and opening of a new elementary school

- Construction of a new elementary school and new middle school on land to be purchased through this plan
- Renovation and reconstruction of a middle school into a freshman academy to relieve overcrowding at William Blount High School
- With this budget, the County Commission has taken the first step to making the greatly needed road improvements in the County. The newly adopted natural gas franchise fee brought in revenues for the previous fiscal year in excess of \$300,000 and has been designated to the Highway Department for infrastructure needs. While not addressing all the current needs, it is a great start for the highway program.

The first phase of the CIP has already begun. You can find more details regarding this plan in the CIP section of this budget document. As we develop our capital improvements plan, we are continually mindful of the programs and operational needs that will be created, especially as we build new schools. The construction of schools is only a minor expenditure when you compare that to the operating costs of that school over time. With our CIP in place, the County is now in a better position to ensure the highest and best use of our resources. We are also in a better position to demonstrate our ability to meet the capital needs of the County within the resources provided by the taxpayers.

Also, as mentioned earlier, a major component of our capital improvements plan is the effect it will have on our operational budgets in the future. In addition to the effects that the “bricks and mortar” have on debt service, new schools and bigger libraries cost more to operate. They will require more teachers, more librarians, more electricity, etc. As we continue to implement our CIP, we will also continue to be mindful and plan for the future effects these improvements will have on operational budgets.

The Budget in Brief

The FY 2006-07 Adopted Budget is \$142,396,725. A 6.1% increase from last year. Funding increases were primarily related to appropriations approved for increases in health insurance premiums and funding prior year use of fund balance. The property tax rate used to support that budget was set at \$2.18, which is a 25 cent increase over the previous year.

The Finance Committee and the County Commission once again took significant steps towards improving the Highway Department's financial position by continuing to appropriate the County's entire share of sales tax to roads along with natural gas franchise fee. Once again, while not addressing all the road needs identified in the county, this will improve the highway department's operational needs significantly. As mentioned above, we are continually reviewing our infrastructure needs of the future to insure good quality roads for your safety.

The General Purpose School Budget is \$70,613,000. This is only an increase of 6.4% over last year's budget; which will be tight with the continued growth and needs of our schools. While not funding all of the requests made by the school board, the budget does include funding for the new elementary school that opened in fiscal year 2006-07.

The Debt Service Fund budget increased 20.8% to \$14.1 million for the new year and is discussed more fully in its own section. Funding has been provided for the debt necessary to complete the approved Capital Improvements Plan.

Amounts appropriated by fund are summarized as follows:

	Tax	Adopted
General Co	0.72	\$37,160,448
Library	0.00	2,085,268
Highway	0.00	6,314,647
Gen Schools	0.95	70,613,000
Fed Schools	0.00	4,868,499
Debt Service	0.51	14,154,122
Small Funds	0.00	7,200,741
TOTAL	\$2.18	\$142,396,725

Future short-term capital needs for General County will be financed by General County fund balances in excess of 15% of the new years operating budget or by one-time revenues or one-time savings. This method ensures adequate fund balance for cash flow needs and emergencies while providing a means to purchase one-time items from one-time revenue sources.

The increases in the adopted budget are directly related to our efforts to provide better service to our growing community. The Finance Committee performed its task very well by balancing the many needs with our available resources. There were many areas of need eliminated from the budget.

This year's budget continues to show our commitment to ample and stable fund balances. In fact, the 2006-07 budget returns us to fiscal responsibility in the general fund after several years of planned draw downs on general fund balance. There is no planned use of fund balance in the general fund, which in essence will allow us to begin to re-build the County fund balance. This technique allows the County to maintain steady tax rates. In addition, funds have been made available for debt service for future planned debt issues.

Major Policy Issues

Many issues affected the development of this budget. These issues represent challenges and opportunities that will impact how Blount County develops over the next several years. Some of the major issues the County is facing are as follows:

Long-Range Financial Plan

The County Commission has traditionally taken a very conservative stance on fiscal issues, reflecting the values of the community. The County has set forth separate policies that provide an excellent mosaic plan when they are combined. I have highlighted several of the main provisions that I feel are areas of great importance to the financial future of the County. Many of these financial strategies are included in the formal budget resolution adopted by the County Commission.

Any appropriation requests presented to the County Commission after the formal adoption of the budget appropriation resolution shall specifically provide sufficient revenue to meet such additional appropriation. In other words, the Commission requires that any additional spending request must provide coinciding revenue to cover the expenditure this fiscal year.

The County is authorized to borrow money on revenue anticipation notes. These notes provide temporary cash flow for operations until adequate taxes and other revenues have been collected. The proceeds of loans for each fund shall not exceed 60% of the authorized appropriations of each individual fund. The loan shall be

repaid prior to June 30, 2007 from current year revenue. The County has been fortunate to have adequate fund balances to enable inter-fund borrowing to meet its temporary cash-flow needs. This has enabled the County to avoid external borrowing for this purpose, which continues to be a goal of the County.

Surplus Revenues—The net funds collected above the approved budget for the General Fund in the aggregate are directed to the debt service fund in order to help meet the County's future debt obligations. The County believes this is a prudent use of surplus revenues for one-time early payment of the County's debt. The County plans to continue the practice as long as the general fund remains healthy and stable.

In order to promote early payment of property tax, a discount program has been established. The discount shall be 2% of the ad valorem real property taxes currently due if such taxes are paid within October and 1% if paid in November. This program has been extremely popular with the cost-conscious taxpayer and helps the County in the traditionally lower cash-flow months.

The Blount County Commission is committed to long-term solutions for the County's needs including the orderly and systematic financing and acquisition of public improvements. To achieve that goal, the Commission recognizes the value of a long-term capital plan and reaffirms its commitment to the six-year capital improvements concept to address those issues.

The Finance Committee must approve any changes in the capital purchases from the approved general county capital list and any savings from the approved capital budget will be transferred to the debt service fund.

Interest earnings will be credited to the general, library, highway, general schools, workers' compensation, employee health, employee dental and the federal drug funds based on the average month-end balances with the County Trustee. The average interest rate earned by the Trustee for all funds. Interest earnings not credited as above will be credited to the Debt Service Fund to help meet the County's future debt obligations.

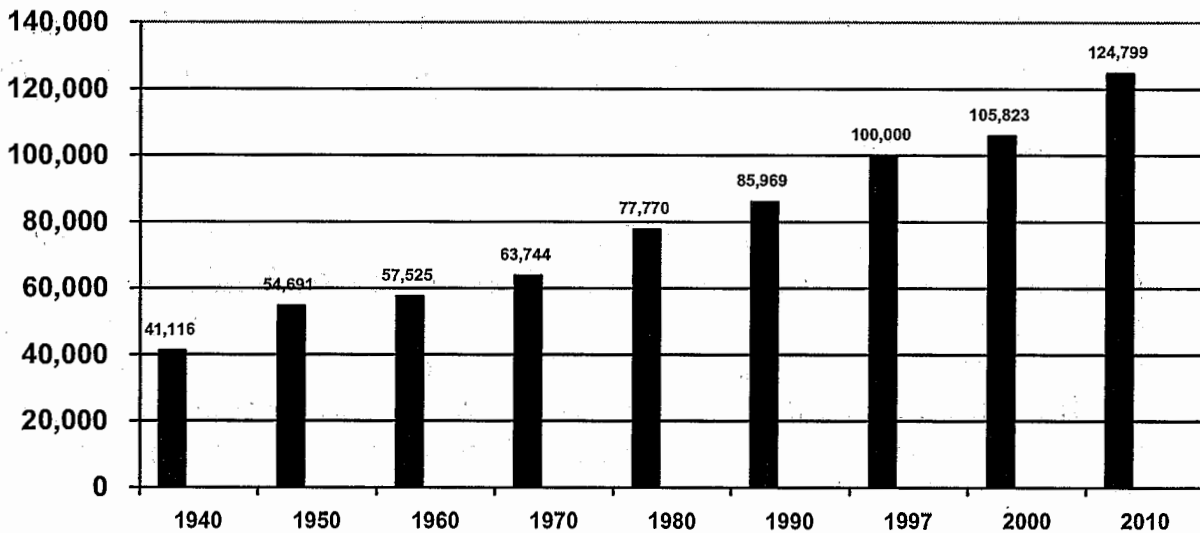
General Fund unencumbered balances in excess of 15% of the 2006-07 year's budget will be designated for one-time capital needs as determined through the County's regular annual budget process. This provision was added to provide a systematic, fiscally responsible method to address the smaller on-going capital needs in future years.

Any funds above 3% of the fund balance of the Blount County School Department shall be available to pay for non-recurring school maintenance and capital projects.

The County Commission and Highway Superintendent recognize the need for a long-term financial plan for the Highway Department and are committed to addressing this need. Currently, road studies have been completed and hearings were held to help us address the needs of our roads. These issues will be major challenges and opportunities for us in the future as we continue to address these needs. Several questions are being asked through this process. These questions range from "How are we going to pay for new roads?" to "How much growth is too much?" Again, exciting and challenging ventures are on the horizon for years to come.

Blount County has grown tremendously for the last five decades and the trend is expected to continue for many years. Currently, the County's estimated population is 113,744.

Population Trend



With growth in population comes growth of the economy and in commercial development. ALCOA (Aluminum Company of America) has historically been the County's major employer and taxpayer. However, ALCOA has been in the process of stream-lining their operations in Blount County. There are many new businesses choosing Blount County as their place of business. ALCOA is still a very strong economic engine for the County with 2,004 employees, but Blount County's reliance on ALCOA is lessening. There are many exciting projects underway for the County. Some of which follow:

Denso Manufacturing of Tennessee is the County's largest employer with approximately 2,301 employees. Denso is also the County's largest taxpayer and growing rapidly. As mentioned earlier, Denso is currently undergoing a very exciting expansion which will bring in excess of \$100 million in additional investment and 1,500 new employees.

Another corporate citizen, Ruby Tuesday's, has taken a front seat approach of being involved in the community. Their corporate headquarters is located in Blount County. The headquarters has added approximately 500 jobs to the County's work force with close to an \$8 million capital investment with current investment improvements also being made to make way for a larger workforce in Blount County. With this addition, the County has added another model corporate citizen and can expect the demand for homes and services to increase as well.

Also, Clayton Homes, Inc. has become a leader in our community. The corporate headquarters in Blount County has approximately 1,203 jobs. In addition, Clayton's management team members are a vital part of many of our community boards and initiatives.

The addition of a mixed-use Research and Development Park to the county's all ready diverse economy is a terrific opportunity for us to compete in the global market for high paying jobs for our citizens. With the regional airport located in Blount County and the nationally recognized Oak Ridge National Laboratory only 30 minutes away, our new R & D Park will allow us to attract high-paying, excellent opportunities for our children to stay home and earn great wages.

The face of Blount County continues to change. With businesses like Ruby Tuesday's, Clayton Homes and with our strong corporate partners in ALCOA and Denso; we have a bright future ahead of us. We, as public servants, take our opportunities and challenges very seriously and rest assured we are working for a better and brighter Blount County.

Conclusion

Blount County is a prosperous and growing area of Tennessee. Business' as well as individuals recognize the tremendous value the County enjoys in its quality of life as demonstrated in our growth. Our leaders are committed to maintaining and increasing our quality of life. Preparation for this growth begins with the development of an insightful budget and this fiscal year's budget is proof of that commitment.

I would like to thank everyone involved with the budget process and citizens who took part in the development of this budget. There must be a great deal of input from many varied sources for our final product to properly reflect our community's high values and standards. As always, the budget process is tough and many decisions have to be made to not only ensure proper services are available, but also that Blount County continues to remain financially strong. Our focus continues to be making the most out of what the County's citizens have given us. Overall, I think we have all done very well in our respective roles in the budget process. I look forward to the upcoming year.

Thank you for the opportunity to share this information with you and for your continued support. Please let me know how we can better serve you and Blount County.

Sincerely,

A handwritten signature in black ink, appearing to read "David R. Bennett". The signature is stylized and cursive, with a large initial "D" and "B".

David R. Bennett, CPA, CGFM
Blount County Finance Director

Blount County Budget Calendar

FY 06-07

- M Jan 9, 5:30 pm** Regular monthly Finance meeting
Budget Calendar & Manual submitted to Finance Committee for approval
- T Jan 31** Budget Manager to distribute FY 06-07 Budget Manual and Estimated Revenue & Expenditure forms to departments
- M Feb 6, 5:30 pm** Regular monthly Finance meeting
- W Mar 1, Noon** All **(Except Schools)** FY 06-07 Budget Requests & Estimated Revenue & Expenditures due back to Budget Manager
- M Mar 6, 5:30 pm** Regular monthly Finance meeting
- Th Mar 16, 6:00 pm** Finance Committee to vote on \$0.01 on the Tax Rate
- M Mar 20** Estimate of value of Blount County Property due from Property Assessor
- T Mar 21, Noon** Budget Work Session
- T Mar 28, Noon** Budget Work Session
- M Apr 3, Noon** School Board's Proposed Budget and Tax Rate due to Budget Manager
Budget Manager to return FY 06-07 Budget Requests to Department Heads for verification
- M Apr 10, 5:30 pm** Regular monthly Finance meeting
Finance Committee will begin deliberation on FY 06-07 Adopted Budget
- T Apr 11, Noon** Budget Work Session
- M-W Apr 17-19** Departments given opportunity to accept Finance Committee recommendation or appeal.
- T Apr 25, Noon** Budget Work Session
- M May 8, 5:30 pm** Regular monthly Finance meeting
Finance Committee to hear/discuss appeals as necessary
- T May 9, Noon** Budget Work Session
- Th May 18** Finance Director to present Finance Committee proposal to full Commission
- F May 19** Summary of the Finance Committee's Proposed Budget for FY 06-07 to be published in newspaper
- M May 22** Letters of Budget Agreement due to Budget Manager (Based on Appeals)
- M June 5, 5:30 pm** Regular monthly Finance meeting
- M June 5, 6-7 pm** Finance Committee to hold a Public Hearing on the Proposed FY 06-07 Budget
- Th June 15, 7 pm** The Full Commission to consider the Finance Committee's recommendation for FY 06-07 Adopted Budget and respective Tax Rate
- M Jan 1, 2007** New FY 07-08 Goals and Objectives for Published Budget due to Budget Manager