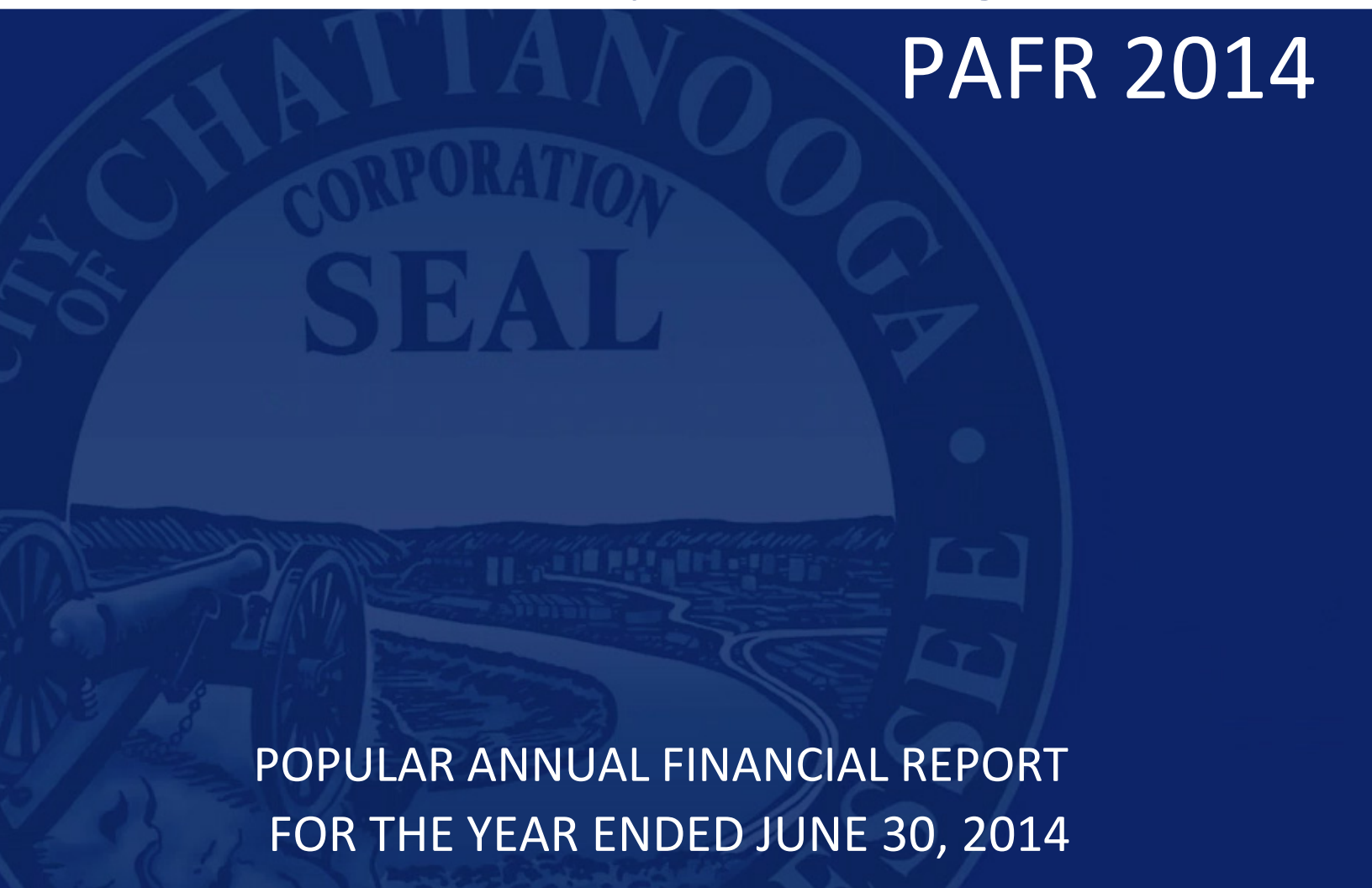




City of Chattanooga, Tennessee

PAFR 2014



POPULAR ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

MESSAGE FROM THE CITY MAYOR

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, 2014. Since I took office, I have made sure city government's actions match our community priorities. Safer streets, smarter students and stronger families, a growing economy, stronger neighborhoods, and high performing government – Chattanooga tell me these are the areas they want to see addressed. And we are addressing them, every day.

From the Chattanooga Violence Reduction Initiative to a more proactive and community-focused police department, we are diligently working to ensure our streets are safe for all Chattanoogaans. We have successfully reformed an underfunded Police & Fire pension plan, putting it on a sustainable path in a fiscally responsible way. That means taxpayers will save a total of \$227 million while maintaining benefits that retirees can rely upon after years of dedicated service to the city.

A great city supports its families and students by providing access to opportunity. Throughout the year we have turned our 18 Youth & Family Development Centers into places for learning and growth. Our literacy initiative has resulted in more children reading at grade level and our Chattanooga Ambassador Program is helping young people prepare for success through intense mentorship and training.

To grow our local economy, the City created an Economic Development office, purchased the former Harriet Tubman housing complex to create jobs in East Chattanooga, and refocused The Enterprise Center to capitalize on Chattanooga's emerging reputation as a technology hub. We began pulling together the essential entities for the creation of an innovation district and put the wheels in motion to offer incentives to our small businesses, as well as paved the way for Volkswagen to announce a second line at their existing Chattanooga plant. Volkswagen's announcement, which came in July of 2014, means the creation of 2,000 new jobs in Chattanooga and a total investment of \$900 million.



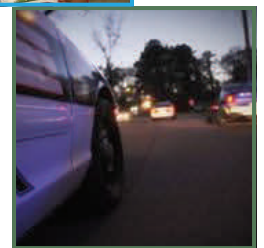
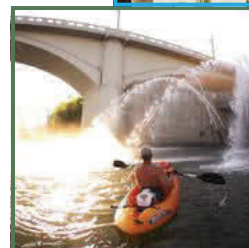
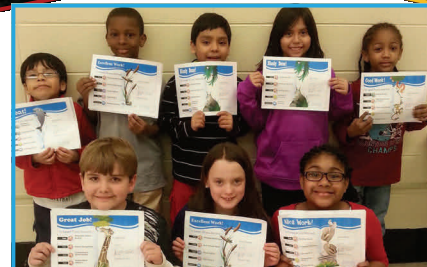
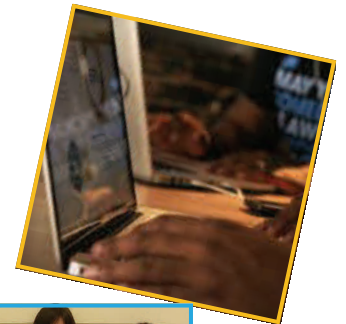
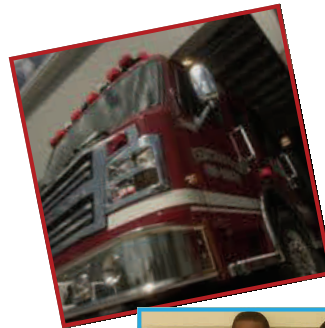
Mayor Andy Berke

The City is able to do all of this and more because of the hard work and talent of our employees. Whether it is delivering essential services or innovative policy solutions, city government is more attentive than ever to enhancing quality of life for Chattanoogaans throughout our City.

Sincerely,

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

Mayor Andy Berke
City of Chattanooga





MESSAGE FROM THE CHIEF FINANCIAL OFFICER



In This Report

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- 2 Message from the CFO
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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, 2014. 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, 2013. 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 believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

We are proud to say this was the third year we published this report and received the award. The City has also been awarded a Certificate of Achievement for Excellence in Financial Reporting by the GFOA each of the past 22 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, 2013

Executive Director/CEO

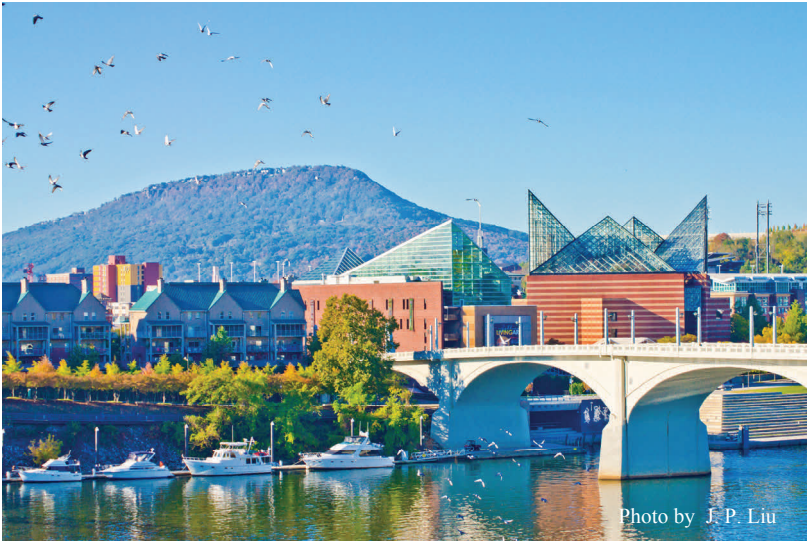
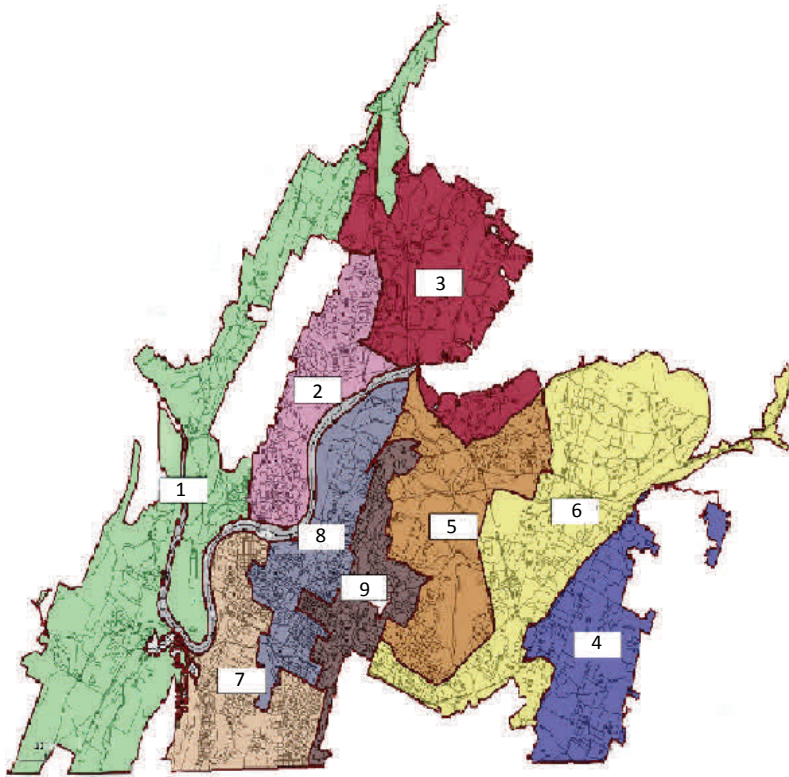


Photo by J.P. Liu

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. 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

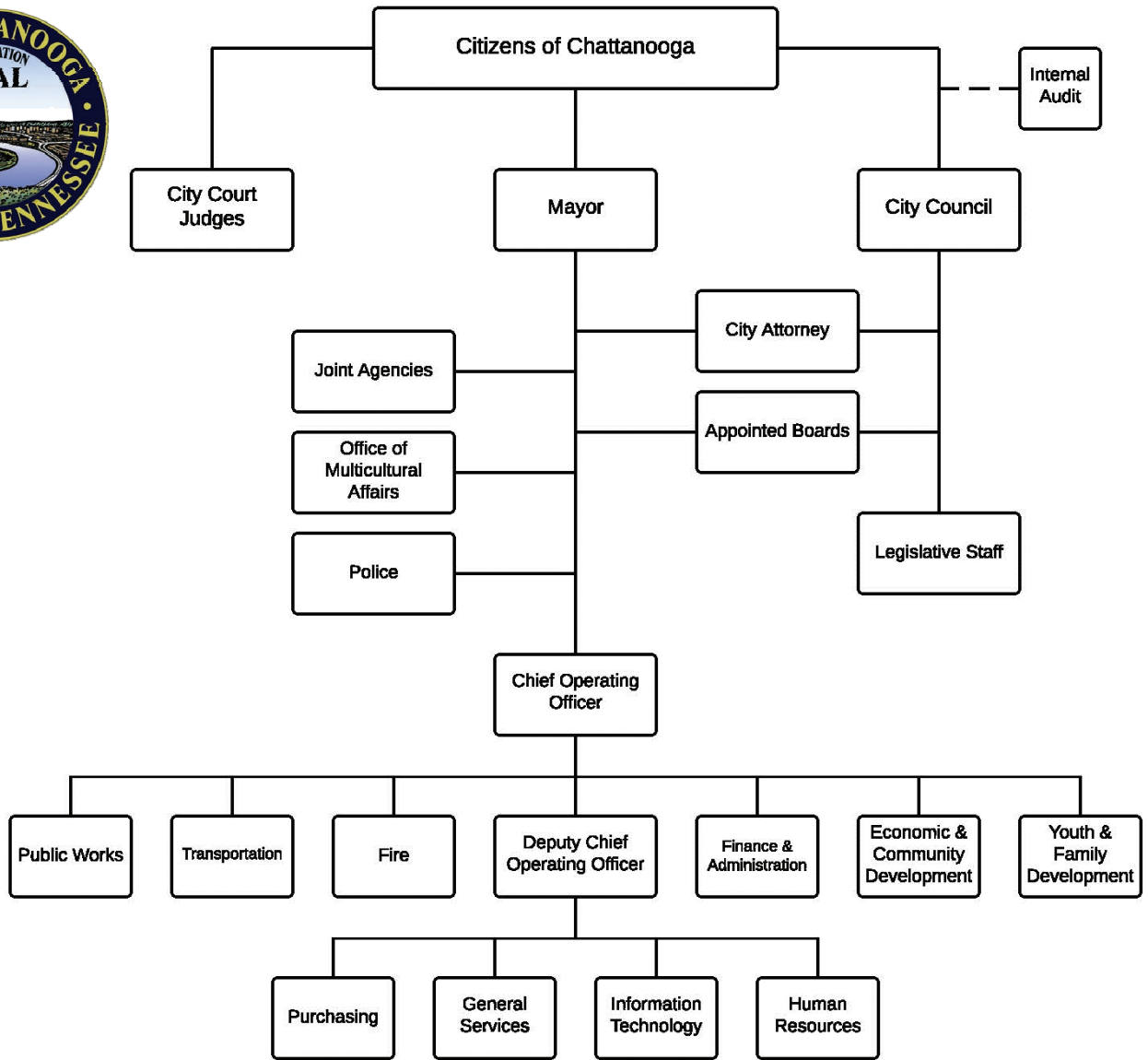
Meets each Tuesday at 6:00 p.m.

Chair person: Chip Henderson,
District 1 (423) 643-7186

District 2	Jerry Mitchell	(423) 643-7187
District 3	Ken Smith	(423) 521-0238
District 4	Larry Grohn	(423) 643-7184
District 5	Russell Gilbert	(423) 643-7183
District 6	Carol B. Berz	(423) 643-7181
District 7	Chris Anderson	(423) 643-7180
District 8	Moses Freeman	(423) 643-7182
District 9	Yusuf Hakeem	(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) 425-6311
Economic & Community Development	(423) 643-7300	Finance & Admin	(423) 643-7360
Fire Department	(423) 643-5600	General Service	(423) 643-7503
Human Resources	(423) 643-7200	Information Technology	(423) 643-6301
Internal Audit	(423) 643-6204	Mayor's Office	(423) 643-7800
Multicultural Affairs	(423) 643-6701	City Attorney Office	(423) 643-8250
Police Department	(423) 643-5000	Public Library	(423) 757-5310
Public Works	(423) 643-6000	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

Since 2008, the Chattanooga area has attracted \$4 billion in foreign direct investment including a Volkswagen auto assembly plant and major investments in alternative energy. The Enterprise South Industrial Park, home to Volkswagen AG's U.S. manufacturing headquarters, plant, and supplier park hosting numerous companies, as well as an Amazon distribution center, has essentially been filled or committed for potential expansion of the VW plant. The most significant manufacturing investment of the past year is the announcement by Volkswagen of a major plant expansion with a total investment of \$900 million from all sources. The \$600 million investment by VW is expected to bring 2000 jobs directly to the manufacturing plant as well as 3600 jobs to support industries and suppliers. In conjunction with the plant expansion to build a new sport utility vehicle, VW will open a Research and Development Center, to employ 200 professionals in engineering and related fields. As a result of these expansions, local economy is expected to add \$100 million in payroll.



One of the major initiatives the City implemented is a series of annexations which sets the stage for a stronger base for the municipal government. The annexation largely follows the Master Inter-local Agreement and Growth Boundaries adopted a decade ago as provided for under state law. There have been 5.8 square miles annexed since the adoption of the plan in May, 2001. Chattanooga is a major participant in a 40-year regional growth plan, known as the Greater Chattanooga Regional Growth Initiative, or "Thrive 2055". The participants include sixteen counties and their major cities from southeast Tennessee, northwest Georgia, and northeast Alabama, including the three metropolitan statistical areas. This is a pioneering effort for a new kind of long-term regional plan. It is a continuation of the type of public visioning and community engagement that has transformed Chattanooga and the surrounding area over the past 30 years.

Chattanooga remains a world leader in technology. The Electric Power Board, Chattanooga's municipal power provider, offers a one-gigabit per second internet service. Few other cities in the world offer such lightning-fast service. This puts Chattanooga at 10 times faster and 10 years ahead of the FCC National Broadband Plan, according to EPB officials. The Fiber-to-the-Home network has grown to become 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. The system is integrated with Smart Grid, a technology which allows remote monitoring of meters for every customer. A \$111 million federal stimulus grant from the Department of Energy dramatically accelerated the installation of the Smart Grid, shortening the planned five year implementation schedule to two years. The wireless mesh network is piggybacked onto the entire system, enhancing public safety as well. This year, EPB applied to the Federal Communications Commission to become the first utility to provide service outside its existing approved service area, which is regulated by the State of Tennessee. The high-speed internet has attracted competitions. In 2014, Chattanooga hosted its third GigTank competition, welcoming specialists from around the world to develop business ideas. In October, A delegation from New Zealand arrived to take a first-hand look at ways the service can generate economic growth.



Photo by J. P. Liu

CHATTANOOGA LARGEST EMPLOYERS

Source: Chattanooga Chamber of Commerce

Hamilton Co. Dept. of Education	4,480
BlueCross BlueShield of Tennessee	4,238
Tennessee Valley Authority	4,126
Erlanger Health System	3,468
Memorial Health Care System	2,832
Unum	2,800
McKee Foods Corporation	2,750
City of Chattanooga	2,685
Volkswagen Chattanooga	2,107
Amazon.com.dedc LLC	1,879

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	22%
Government	15%
Manufacturing	13%
Professionals & business services	18%
Education & health	14%
Leisure & hospitality	10%

“Building Tomorrow Today”

As a part of the “Chattanooga Can Do” campaign, community leaders and elected officials have set goals from 2011-2015: increase private investment by \$500 million and create \$427 million in new payroll income. As of September 2014, private investment reached \$847 million and new payroll income exceeded \$705 million!

June 2014 Unemployment Rates

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

Year	U.S	TN	Chattanooga MSA
2010	9.6	9.7	8.7
2011	8.9	9.2	8.2
2012	8.6	8.5	8.1
2013	7.6	8.5	8.5
2014	6.1	6.6	7.1

Downtown continues to attract new investment. The first phase of a proposed \$100 million housing and commercial project on the west side of downtown along the river is taking shape. This will include 39 homes and luxury town-homes along Riverfront Parkway which are expected to range upward from \$319,000 each.



Downtown hotel space continues to increase as well. A \$19 million hotel, with 140 rooms, is currently under construction. Recently announced is a 90-room upscale boutique hotel slated to open in 2016 near the Tennessee Aquarium.

These projects, along with numerous other housing and retail developments under construction or under consideration throughout the city, will guarantee a strong base for growth in the coming years.

Chattanooga is host for numerous national events. Major events which took place over the past year include the Head of the Hooch rowing competition, the USA Cycling pro championships and Ironman Chattanooga.

These and a host of regional tournaments, outdoor events, and recreational activities, bring millions to the local economy and help keep Chattanooga in the forefront.

2014 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	2.31	3.40	⁽¹⁾	2.46
Blood Pressure	Property Tax Rate - City & County	5.07	7.78	4.52	4.82
Cholesterol	Tax Levy Per Capita - City only	\$660	\$589	\$1,383	\$586
Height	Income Per Capita ⁽²⁾	\$37,228	\$40,288	\$45,213	\$37,864
Temperature	Population ⁽³⁾	173,366	653,450	634,464	183,270
Stress Test	Unemployment Rate ⁽⁴⁾	7.1%	8.7%	6.0%	6.4%
Pulse	Gross Debt Per Capita	\$1,883	\$3,380	\$5,177	\$870
Blood Sugar	Gross Debt as % of Personal Income	5.06%	5.53%	10.69 ⁽⁵⁾	4.10%

(1) Metro Nashville rates are 0.59 for urban services district and 3.92 for general services district

(2) U.S. Bureau of Economic Analysis for calendar year 2013

(3) U.S. Census Bureau State & County QuickFacts

(4) U.S. Department of Labor Bureau of Labor Statistics

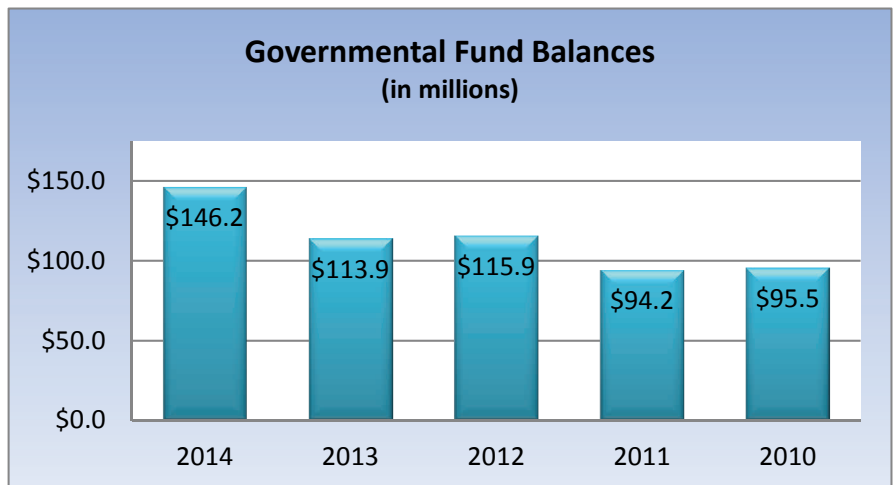
(5) 2013 rate; 2014 rate not available

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 that provided 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 balances is \$146.2 million which increased \$32.3 million, 28.4% compared to last year. The increase is mainly due to a \$29.0 million bond issue in capital fund and a \$4.4 million increase in capital outlay. Over 43.9 % of the fund balance , or \$64.0 million, is available for spending at the City’s discretion. 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-day operation of the City is captured mostly in the General Fund, it will be our primary focus of discussion. This year's general fund revenue decreased \$0.8 million or 0.3% from the prior year. The primary decreases are reduction in intergovernmental revenue that related to state and federal grants.

General Fund Revenues: \$237.7 million

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

- ◆ Tax Revenues
- ◆ Intergovernmental Revenues
- ◆ Licenses and fees

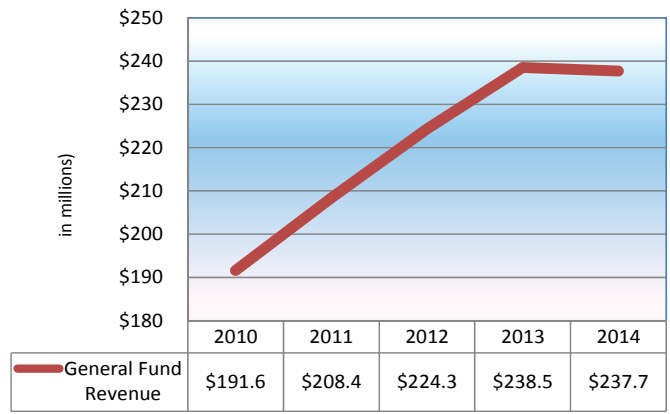
Tax Revenue Sources

(in million)

	FY 2014	FY 2013
Property tax	\$125.2	\$123.0
Franchise taxes	4.1	3.9
Liquor & Beer taxes	8.0	7.8
Gross receipts tax	4.8	5.1
	<u>\$142.1</u>	<u>\$139.7</u>

Taxes by far are the biggest portion of the total revenue City receives each year. Here is a detailed look at changes of the major types of taxes, licenses, fees and charges for services provided by city. In fiscal year 2014, tax revenue increased by \$2.2 million, or 1.8% over last year. This includes a \$1.8 million, or 1.6% increase in property tax and a \$0.4 million, or 4.4% increase in payment in lieu of tax. Liquor and beer taxes were up \$0.2 million, or 3.1%. Gross receipts decreased \$0.3 million, or 6.2%.

GENERAL FUND REVENUE



Licenses and fees \$20.1 million or 8.4%



Taxes \$142.1 million or 59.8%

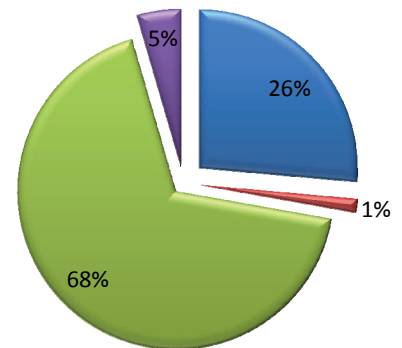


Intergovernmental revenues \$75.5 million or 31.8%

Intergovernmental Revenue Sources - \$75.5

(in millions)

- State \$19.9
- Hamilton County \$1.1
- County-wide sales tax \$51.1
- Others \$3.4



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 2014, revenue decreased \$4.2 million, or 5.3% over the prior year. This is attributed to several state and federal grants winding down or completed in this year, such as a decline of \$3.5 million, 71.9% in Congestion Management and Air Quality Improvement grant, and another drop \$0.3 million in Brownfields Assessment & Cleanup cooperative Agreements with Environmental Protection Agency.

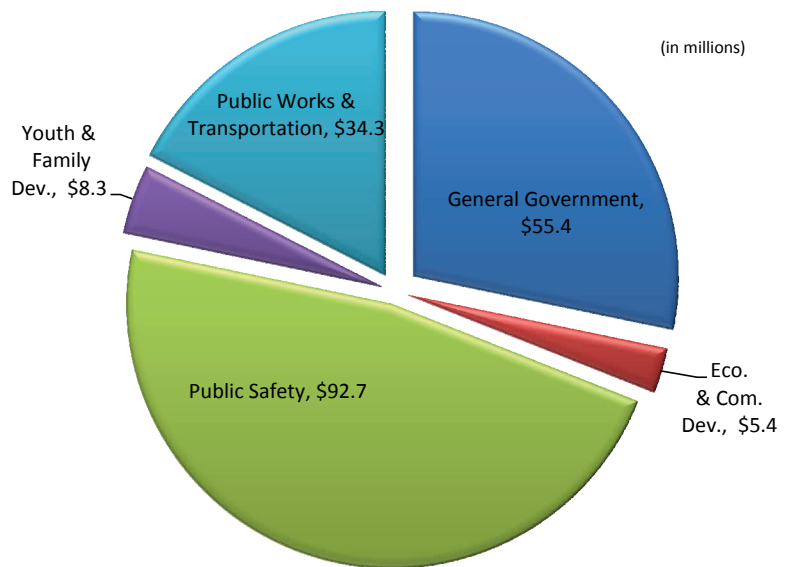
How The Money Is Spent

Expenditures of the General Fund are categorized by type of service provided. Below is a summary of the function and the reported spending:

- ◇ General Government expenditures refer to the costs of conducting the legislative, finance administration, general buildings and grounds, and operation activities of the city.
- ◇ Public Safety expenditures include money spent in support of the city law enforcement operations and fire and rescue services.
- ◇ Public Works and Transportation expenditures are maintenance and operation of parks, and costs of construction, infrastructure, roads, garbage and other environmental concerns throughout the city.
- ◇ Economic and Community Development expenditures arise from activities that promote area entrepreneurial spirit which help grow businesses and activities that plan and support community and neighborhood across the city.
- ◇ Youth & Family Development expenditures arise from activities to provide better quality of life for citizens through education, recreation, social services, leadership, and career development.

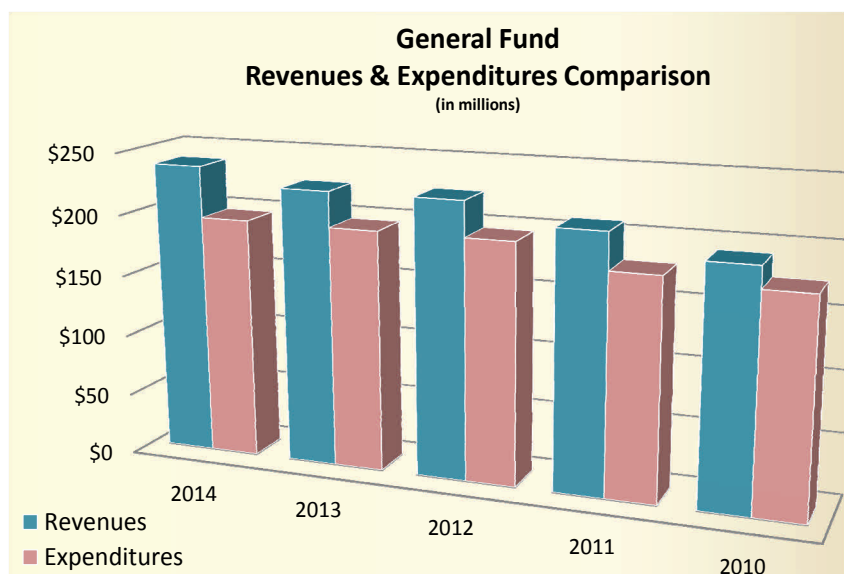


General Fund Expenditures: \$196.1 million



Once again, we will focus on the chief operating fund of the City, general fund. Compared to last year, total expenditures (excluding transfers out) for General fund decreased \$9.3 million or 4.5%. Major changes include the following:

- ◆ Transfer out for capital purchases increased by \$6.0 million.
- ◆ Due to \$3.7 million declining in CMAQ and Brownfield grant expenditures.
- ◆ Employee salaries decreased \$0.7 million, or 0.9 percent. Final leave payout decreased \$0.3 million or 15.3 percent, personal leave decreased \$0.3 million or 3.2 percent due to an administration transition in the prior fiscal year and regular employees decreased \$0.2 million or 0.4 percent as departments were asked to freeze positions to fund innovative programs as the City's new Budgeting For Outcomes began.



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, as well as solid waste disposal and the Chattanooga Downtown Re-development Corporation (CDRC).
- Component Units:** these entities are not part of the primary government. They are legally separate from the City of Chattanooga but City is 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.

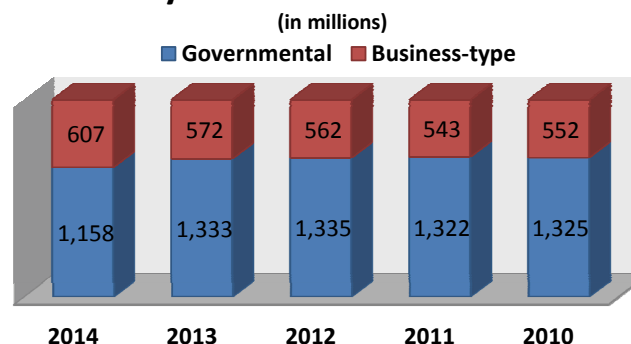
Net Position

The net position is the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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.

At the end of the fiscal year 2014, the net position of the primary government which is the combination of governmental activities and business-type activities decreased by \$139.8 million comparing to last fiscal year. This is due to the early implementation of changes in accounting for pension benefits. By far the largest portion of the City's net position, \$1.8 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 \$94.6 million that are subject to external restrictions on use. The remaining balance is unrestricted and should be used to meet the City's ongoing obligations to its citizens and creditors. The negative unrestricted balance of \$108 million this year reflects recording of unfunded pension liabilities.

(In Millions)	2014	2013	2012	2011	2010
Governmental activities					
Invested in capital assets *	1,204.8	1,212.5	1,204.0	1,231.4	1,260.0
Restricted	48.0	28.2	41.6	27.1	13.0
Unrestricted	(94.0)	92.2	89.2	63.7	52.5
Total governmental activities net position	1,158.8	1,332.9	1,334.8	1,322.2	1,325.5
Business-type activities					
Invested in capital assets *	573.9	537.0	527.6	568.2	533.4
Restricted	46.7	45.0	30.7	18.1	22.7
Unrestricted	(14.0)	(10.3)	3.5	(43.5)	(4.4)
Total business-type activities net position	606.6	571.7	561.8	542.8	551.7
Primary government					
Invested in capital assets *	1,778.7	1,749.5	1,731.6	1,799.6	1,793.4
Restricted	94.7	73.2	72.3	45.2	35.7
Unrestricted	(108.0)	81.9	92.7	20.2	48.1
Total primary government net position	1,765.4	1,904.6	1,896.6	1,865.0	1,877.2
* Net of related debt					

Primary Government Net Position



Capital Assets & Long Term Debt



Capital Assets Net of Depreciation

(in millions)

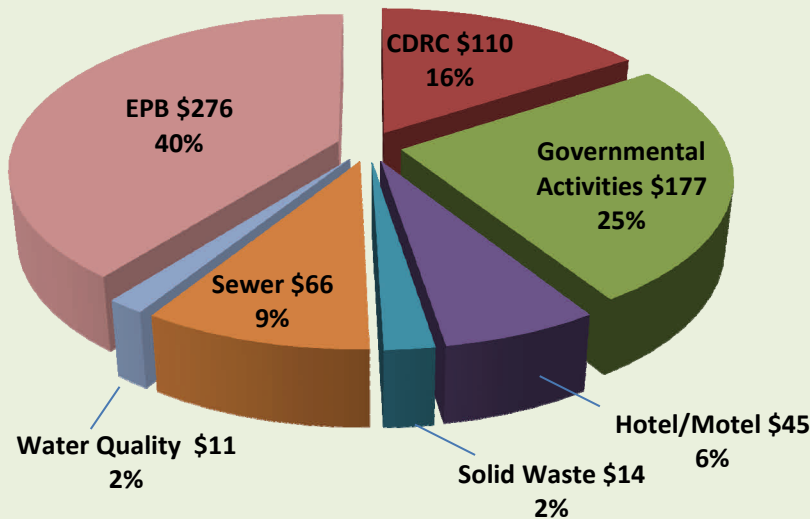
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Non-depreciable:						
Land & Easements	\$1,041	\$1,039	\$20	\$20	\$1,061	\$1,059
Construction in progress	69	65	47	69	116	134
Depreciable:						
Buildings & Improvements	114	112	83	82	197	194
Vehicles & Machinery	29	32	90	26	119	58
Infrastructure	236	258	696	714	932	972
Total	\$1,489	\$1,506	\$936	\$911	\$2,425	\$2,417

At the end of fiscal year 2014, the City had \$2.4 billion invested in capital assets (net of accumulated depreciation) a increase of \$8.0 million or 0.3% 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 \$495.5 million. The City's general obligation debt, net of self-supporting debt of \$160.8 million is 32.5% of that limit. As of year end, EPB had \$270.1 million in revenue bond debt outstanding compared to \$277.0 million last year.

Primary Government Long Term Debt: \$699 Million (In millions)



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)

	2014	2013	2012	2011	2010
Beginning Balance	\$208	\$209	\$298	\$314	\$310
Debt issued	27	0	44	0	51
Principal repaid	13	13	33	16	48
Ending Balance	<u>222</u>	<u>196*</u>	<u>309</u>	<u>298</u>	<u>314</u>
Outstanding Debt per Capita	\$1,278	\$1,144	\$1,817	\$1,778	\$1,832

* The decrease in 2013 is due to a change in accounting requirements whereby \$109 million in Southside lease is no longer being reported as part of the governmental activities.

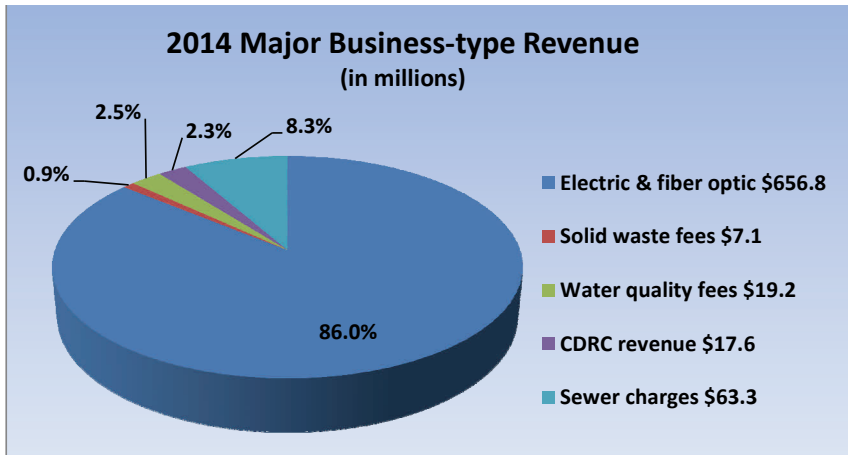
In November of 2013, Standard & Poor raised the City of Chattanooga's bond rating to "AAA". The Fitch Ratings also affirmed their bond rating for the City at "AA+". "AAA" is the highest rating that can be awarded to any entity.

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

Business-type Activities

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

Revenue for the City's business-type activities were \$764.0 million for the year just completed; a \$22.1million, or 3.0% increase. Expenses, decreased \$0.9 million, or 0.1% resulting in total expense of \$721.5 million for the year. Here we will focus our discussion on the major business-type activities.



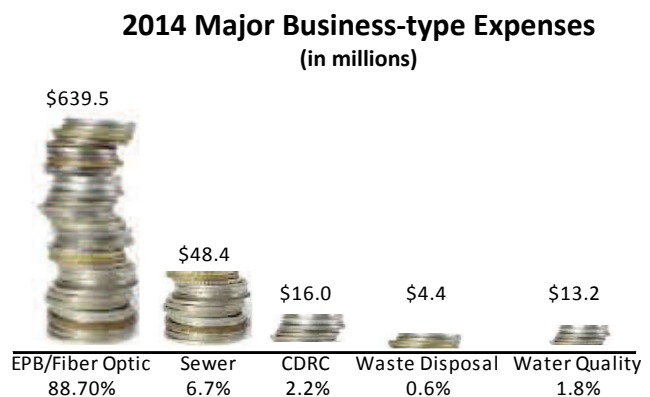
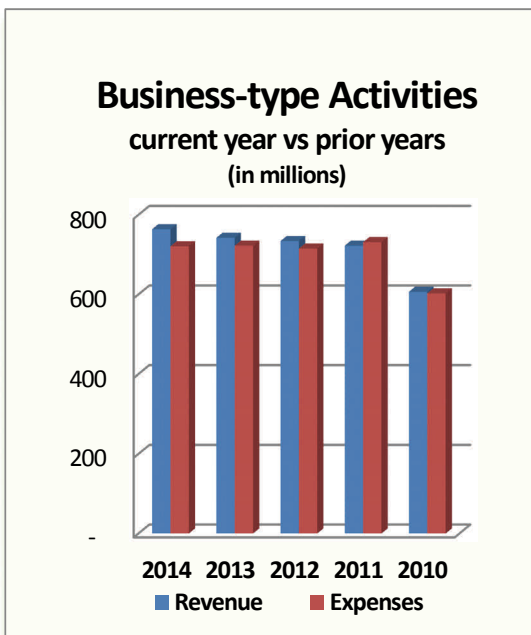
The largest portion of the Business-type activities is Electric Power Board (EPB). EPB is a city owned company that provides electric utility and fiber optic service for residential and commercial uses in Chattanooga and surrounding areas. It is managed as an enterprise operation by a board appointed by the Mayor and City Council. This year the total net position increase \$17.3 million or 6.4%, the increase in position is mainly due to a reduction in electric bond liabilities of \$6.4 million as well as a reduction of fiber optics debt of \$11.8 million. For the fiscal year 2014 annual report, please visit www.epb.net/about/annual-reports/.

Net position of the Interceptor Sewer System increased \$14.9 million or 5.9%, to \$269.8 million. Unrestricted net position (available to finance on-going operations) increased \$5.1 million or 27.4% to \$23.9 million. An additional \$23.7 million is restricted for future capital spending, an increase of \$1.0 million.

The Chattanooga Downtown Redevelopment Corporation (CDRC) accounts for redevelopment financing, operations of The Chattanooga Hotel and the Southside Parking Garage. It remains in a negative net asset position of \$5.7 million. However, during the fiscal year net position increased \$1.5 million following a continual improvement trend.

The City operates a municipal solid waste landfill. The primary customer is city government. During the current fiscal year, net position increased \$2.7 million.

The water quality management program was established to comply with EPA guidelines. It currently has \$54.9 million in net position, an increase of \$6.0 million or 12.3% from last year. This includes the fourth and final annual adjustment to the non-residential rate adopted in April 2010. The amount available to fund day-to-day operations increased \$5.0 million, a 29.2% increase.



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

City of Chattanooga
Finance & Administration Department
101 East 11th Street
Chattanooga, TN 37402