

Fiscal Year 2025 Budget Presentation

Operating and Capital Budgets

CITY OF CHATTANOOGA

Mayor Tim Kelly

ONE Chattanooga

10 ABC10

Fairfield facing \$20M budget deficit, to make cuts

A "combination of cuts and new revenues" must be considered to settle the 2025-26 budget, according to Fairfield city manager David Gassaway.



BN Boston Herald

Empty office buildings have Boston staring down \$1B budget shortfall

The city's eroding commercial tax base, driven by hybrid work practices that have left office buildings largely vacant, could leave Boston with a \$1...



CityNews Kitchener

Cambridge city budget comes in with tax increase of 7.17 per cent

The average household in Cambridge can expect to pay an extra \$112 in city taxes this year, now that the city's budget has been approved.



WP The Washington Post

Half a billion in cuts, targeted tax hikes shape Bowser's D.C. budget plan

Officials with the D.C. mayor's administration said the city faces a \$4 billion budget hole over the next four years, including a \$700 million shortfall...



TC Tri-City Herald

Will Tri-Cities schools see expected 'financial crisis,' layoffs other WA districts face?

Schools in Tri-City, WA have only begun to budget for the 2024-25 school year as news of layoffs and cuts echo from other parts of the state.



The Berkshire Eagle

Pittsfield Mayor Marchetti says his budget will bring cuts, but still can't fend off tax increases

Mayor Peter Marchetti told members of the City Council and Pittsfield Public School Committee that the budget proposal he'll bring forward in May won't be...



The Baltimore Banner

Mayor's proposed budget avoids service cuts after warnings of \$100M shortfall

The Scott administration unveiled a proposed budget Monday for Baltimore's next fiscal year, presenting a balanced budget that avoids any cuts to services...



Times Reporter

New Philadelphia officials grapple with \$380,000 budget shortfall

The city's income tax revenue has been increasing, but expenses for supplies and materials have been rising faster.



NBC Los Angeles

NewsConference: Budget cuts in the city of Los Angeles

Los Angeles is experiencing significant money troubles. Not enough money coming in and "high levels of overspending". What does that mean for Angelenos?...



Challenges

Inflationary Forces

- Material costs, construction costs, contracting costs, fuel, utilities
- ~40% increase in cost of groceries since 2019 – significant impact on our employees

End of Pandemic-Era Funding

- As ARPA funding is expiring, we worked hard to balance priorities with reality

Maintaining our Competitiveness

- Finding ways to attract and retain talent to carry out the mission

**This budget ensures fiscal
responsibility and transparency
without compromising our
commitment to building One
Chattanooga.**

Big wins this year

- Affordable Housing —
 - 150+ affordable units approved through 4 Housing PILOTS
 - New Housing PILOT policy adopted by City Council will encourage more affordable housing development
 - New statewide housing incentives
- Developing our Workforce — Started the BuildWithin Apprenticeship Innovation District to create and grow Registered Apprenticeship and Youth Apprenticeship Programs
- Early Learning — Library introduced no-cost library cards to all children enrolled in Head Start and Early Head Start
- Skilled Trades — Graduated first cohort of Builders Blueprint Program
- Public Safety — CPD rolled out a new fleet of E-bikes to patrol and enhance public safety downtown
- Health Disparities — Launched Mobile WIC clinic at East Lake Community Center, rolling out mental health services at community centers

More big wins

- Education — Community Forward Impact Report shows improved attendance and lower expulsion rate
- Growth — “Plan Chattanooga” comprehensive plan and capital priorities
- Outdoors — \$1.8M Mountain Creek restoration grant
- Transportation — New airport terminal, new nonstop to Vegas
- Paving — Major fixes to Holtzclaw and Central
- Quality of Life — \$2M Reconnecting Communities & Neighborhoods program grant for Westside Evolves
- Neighborhoods — Zoning Ordinance modernization underway
- Parks — Unveiled Montague Park Plan
- Train Service — \$500,000 passenger rail grant

Executing the One Chattanooga Strategic Plan

The strategic priorities laid out in One Chattanooga Plan have proven to close gaps and create opportunities – this budget reinforces momentum in these areas of focus.

- ✓ Safer, healthier, more connected neighborhoods
- ✓ Affordable housing opportunities for all residents
- ✓ Continued improvements in roads, bridges, and parks
- ✓ A competitive regional economy
- ✓ Universal access to affordable, quality early childhood education
- ✓ Economic vitality in the Black community
- ✓ Responsive and effective local government

**This budget enhances
our focus on
Chattanooga's priorities**

Highlights in FY25 Budget

- **Public Safety**

- Every sworn police officer and fire employee will get a raise
- Continue to commit the largest portion of our budget to public safety
- 59% of FY25 budget is to fund personnel and operations at CPD, CFD, DPW

- **Infrastructure and Pedestrian Safety**

- Fulfilling commitment to reverse previous trend of road disrepair
- Another \$10M for resurfacing and pothole repair
 - Keeping our four-year, \$40M promise
- \$500,000 for additional, targeted Pedestrian Safety Improvements

- **Maximizing the Impact of One-Time Federal Dollars**

- Leveraging one-time dollars to sustain strategic progress through various community partners
 - EPI, Violence Reduction, Care for Domestic Violence and Rape Victims, Child Savings Accounts, All-inclusive playground at Heritage Park, and more

...More Highlights

- **Investing in our Team, Optimizing for Outcomes**

- Sustainable pay increases for our team
- Prioritizing annual increases for sworn
- With this budget, all non-sworn Pay Plan employees will be placed on steps based on years-of-service
- Nearly \$7M* invested into civilian and sworn

**almost all new revenue is invested in employees*

- **Continued Funding, Sustained Momentum**

- Fueling progress in areas of strategic focus – like Parks & Outdoors, Economic Development, Affordable Housing, and Community Engagement

And we're doing all of this **with NO tax increase.**

Key Investments

Public Safety

Public Safety remains a top priority and we will continue working alongside our community **to interrupt and prevent crime** before it happens – and to swiftly make arrests when it does.

- Authorization of 23 additional Police Officers
- Authorization of 9 additional Firefighters
- Additional Crisis Co-Responder Position at CPD (mental health / social worker) to add to five current crisis co-response team members
- Addition of a Fire Investigator at CFD
- \$4M for fire apparatus replacement plan
- \$2.5M to begin replacement of Fire Station 14 in St. Elmo
- An additional \$100,000 to enhance our successful violence interrupter program

Roads and Critical Infrastructure

- **Paving** — \$10M to fulfill Mayor Kelly's 4-year promise to double our paving budget from previous annual budget of \$5M
- **Pedestrian Safety** — \$500,000 over and above usual spending
- New Garbage Trucks — \$1.35M to expand services in our growing city
- Broad Street Redesign — \$3.5M in federal grants in city-led initiative
- Neighborhood Greenway — \$200,000 Lyndhurst grant toward 14th St. neighborhood greenway & bike boulevard
- Hamilton Place Redesign — \$2M public-private partnership to improve Hamilton Place I-75 interchange
- **Bridges** — Continued funding to replace ailing Wilcox Bridge and Walnut Street Bridges and start to study two bridges on Shallowford Rd
- **More Bridges** — Another \$500,000 to maintain and protect 85 bridges
- Flush to Fuel — \$500,000 to build new fueling infrastructure that will allow us to power garbage trucks from converted waste
- EV Charging — \$100,000 for EV charging stations
- Westside Transportation — \$2M federal grant for Westside connections

Preserve, Enhance and Create Affordable Housing

- **\$1M Investment — Affordable Housing Fund**
- **Housing PILOT** — enhanced incentives to add capacity and expand the construction of affordable homes
- **Attainable Housing Legislation** — State legislation creates density bonuses to incentivize development of attainable housing — coming to council this summer
- **Housing Production Fund** — a public-private partnership in which the city will make direct investments to catalyze mixed income development
- **Housing Rehab** — Funding to rehabilitate naturally occurring affordable housing, improve the quality of multi-family rentals and convert derelict hotels/motels/properties
- **Down Payment Assistance** — for first time home buyers, owner occupied rehab for seniors improving quality of life / allowing age-in-place
- **Land Bank** — the first 15 properties are slated to be developed into affordable housing by the end of summer, 50 by the end of 2025

Creating New Exits from Homelessness

As the recent point-in-time count demonstrates, the work is working. This year's budget will continue to:

- Capitalize on our **strategic partnership with the Chattanooga Regional Homeless Coalition** to fund more than \$900,000 in critical programs:
 - Unify partners into a single continuum of care to house and support people experiencing homelessness — no gaps in the system
 - Leverage the Flexible Housing Fund to support rapid rehousing efforts
 - Prioritize rapid rehousing of veterans and households with children experiencing homelessness
 - Fund the Chatt Foundation's cold weather shelter
- Ongoing project management and oversight of the **conversion of the Airport Inn into 80+ units of permanent supportive housing**
- **Permanent supportive housing** — **AIM center**, former Airport Inn

Parks and Outdoors

- **\$1M** for POP-identified **deferred maintenance across existing neighborhood parks**
- \$6.7M (grant + City funds) to build the Alton Park Connector Trail
- **\$1.5M grant** from state to support **new public park land acquisition**
- \$300,000* to jumpstart the new Veterans Memorial & Family Play Zone at Ross's Landing
- **\$2.15M** to replace the 25-year old **ChattTown Skate Park**
- \$1.25M for Lookout Valley's first, multi-purpose youth sports field at John A Patten Park
- \$300,000 to leverage \$1.1M in private funding for construction docs for Montague Park
- \$250,000 for POP-improvements through TPL's Equity Accelerator Initiative
- \$100,000 to kick off community led design for a revitalized Carver Park
- \$50,000 for a new Shallowford Paddling Access Park, 4.5 mile blueway
- \$125,000 for stewardship and care of Chattanooga's public art collection
- \$100,000 for ongoing maintenance needs at Brainerd & Brown Acres Public Golf Courses
- \$100,000 for public pools maintenance across Chattanooga

Parks & Outdoors 2024 operational savings will be deployed to accelerate improvements across the city's park system and support non-profit partners Sculpture Fields and Chattanooga Football Club Foundation with Montague Park advancement.

Investing in young people — and our future

- \$402,000 for **critical maintenance at Head Start locations**
- Continuing unprecedented supplementary funding for **Head Start teacher salaries** to invest in education
- \$2.6M for **James A Henry renovations and project costs**
- Transform community centers into neighborhood hubs:
 - \$750,000 to **address major building needs at other community centers** and city-owned properties
 - \$250,000 toward Hixson Community Center renovations
 - Further expand health initiatives in community centers

Economic & Workforce Development

- New **Senior Advisor for Workforce Opportunities**
- **\$2M** for Kelley building (no relation) renovation to fulfill mayor's promise to create a **minority resource hub for entrepreneurs**
- \$1.5M to CARTA for renovation, rehab, maintenance of their intermodal facilities, vehicles, and equipment in addition to \$5.8M operating
- Continue to expand Apprenticeship initiatives through Builders Blueprint Program and BuildWithin
- \$2.5M to extend W 26th St. for South Broad revitalization
- Prioritizing partnerships that will prepare Chattanooga for the jobs of the future, from clean energy manufacturing to quantum technologies

Responsive & Effective Local Government

A more responsive and effective local government undergirds all our efforts across the city. Attracting and retaining the best employees is key to our success:

- **Increasing pay:**

- **Non-sworn** — *Phase 2 implementation of new pay step plan*
 - In FY24 hourly employees received credit for years of service
 - For FY25 they will receive their regular steps, plus a 2% cost of living increase
 - Salaried employees will receive credit for years of service, as well as their regular step, plus a 2% cost of living increase
 - Wastewater employees will receive their regularly scheduled step increases and 2% cost of living increase
 - Appointed employees will receive approx. 2% cost of living increase
 - Performance component moving forward

Responsive & Effective Local Government

Public safety is the most important issue for Chattanooga residents, and investing in our first responders has always been a top priority for this administration. This year we will continue to build on the 24% pay raise made by Mayor Kelly and Council at the beginning of this term.

- **Increasing pay:**

- **Sworn** — *pay smoothing*

- Firefighters and police officers anticipating a 0% increase this year for their regular anniversary step will receive 1.5% increase
- Firefighters and police officers expecting 3% will receive their 3% (moving forward, steps will be 1.5%).
- Two-year implementation.
- Sworn pay plan will also receive 2% cost of living increase

Responsive & Effective Local Government

Reforming local government to better serve Chattanooga means streamlining processes and eliminating redundancies — so that **taxpayer dollars are being put to work where they will best meet the needs of Chattanoogaans**

- **\$3M** to create new office space in existing city facilities, such as the City Hall annex, which will save taxpayers from paying costly leases on external buildings
- **City court clerk** — streamlining court clerk staffing to reflect reduced workload
- **Enforcement** — using savings from city court clerk to increase funding for AHO enforcement with a focus on further integration
- **ARPA off ramping** — how to limit impacts to services / personnel like Community Health, and next budget will require even more calibration

Couch Cushion Examples

Couch Cushion Savings:

Across the city, departments have worked hard to save taxpayer money that can be better deployed to serve our residents:

- **\$9M saved — Wastewater employees have been able to right-size projects** and find creative ways to do work in-house instead of engaging contractors
- **\$37,000 saved — Producing mulch in-house for parks** maintenance
- **\$40,000 saved — Using LIDAR to precisely measure contractor performance**, paying for results instead of estimates
- **\$600 saved annually — Moved from a water tank to a water filter in HR**, looking at deploying filters citywide for more than \$20,000 in savings
- \$200,000 saved annually — Switched from third-party contractors to an internal solution to service and maintain pump station vacuums at plant
- \$521,000 saved — DTS worked closely with our suppliers to lower prices of new software and applications as well as renewals of products that are not covered by a blanket agreement, and jettisoned unused software.

General Fund Revenues

No Tax Increase!

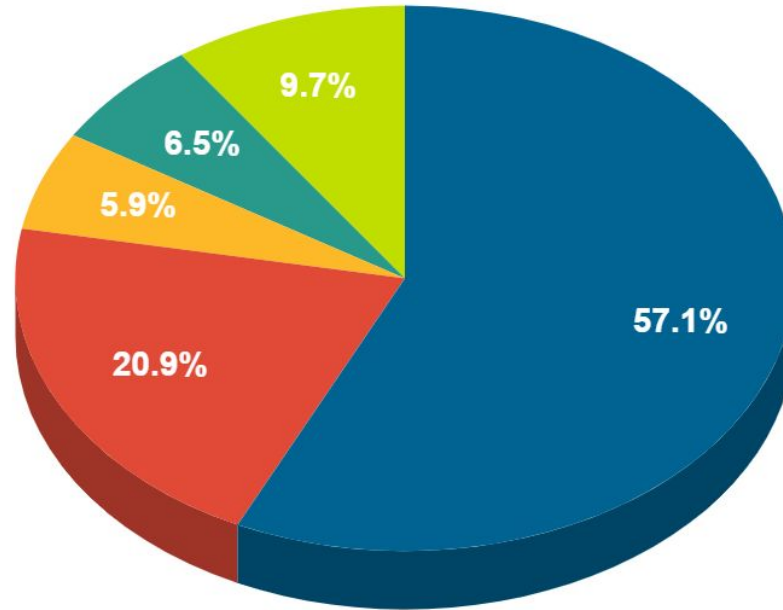
General Fund Revenue Source	Dollars	Percent
Property Taxes	\$ 191,988,000	57%
Local Sales Taxes	\$ 70,193,000	21%
Other Local Taxes	\$ 19,769,200	6%
State Sales Taxes	\$ 21,796,000	6%
Other Revenues	\$ 32,718,800	10%
Total Revenue	\$ 336,465,000	100%

Revenue increase of 2.3% resulting from natural growth.

Essential costs and department needs had a 12.8% increase in requests over FY24!

Looking hard at our Reserve levels

General Fund Revenue Sources



- Property Taxes
- Local Sales Taxes
- Other Local Taxes
- State Sales Taxes
- Other Revenues

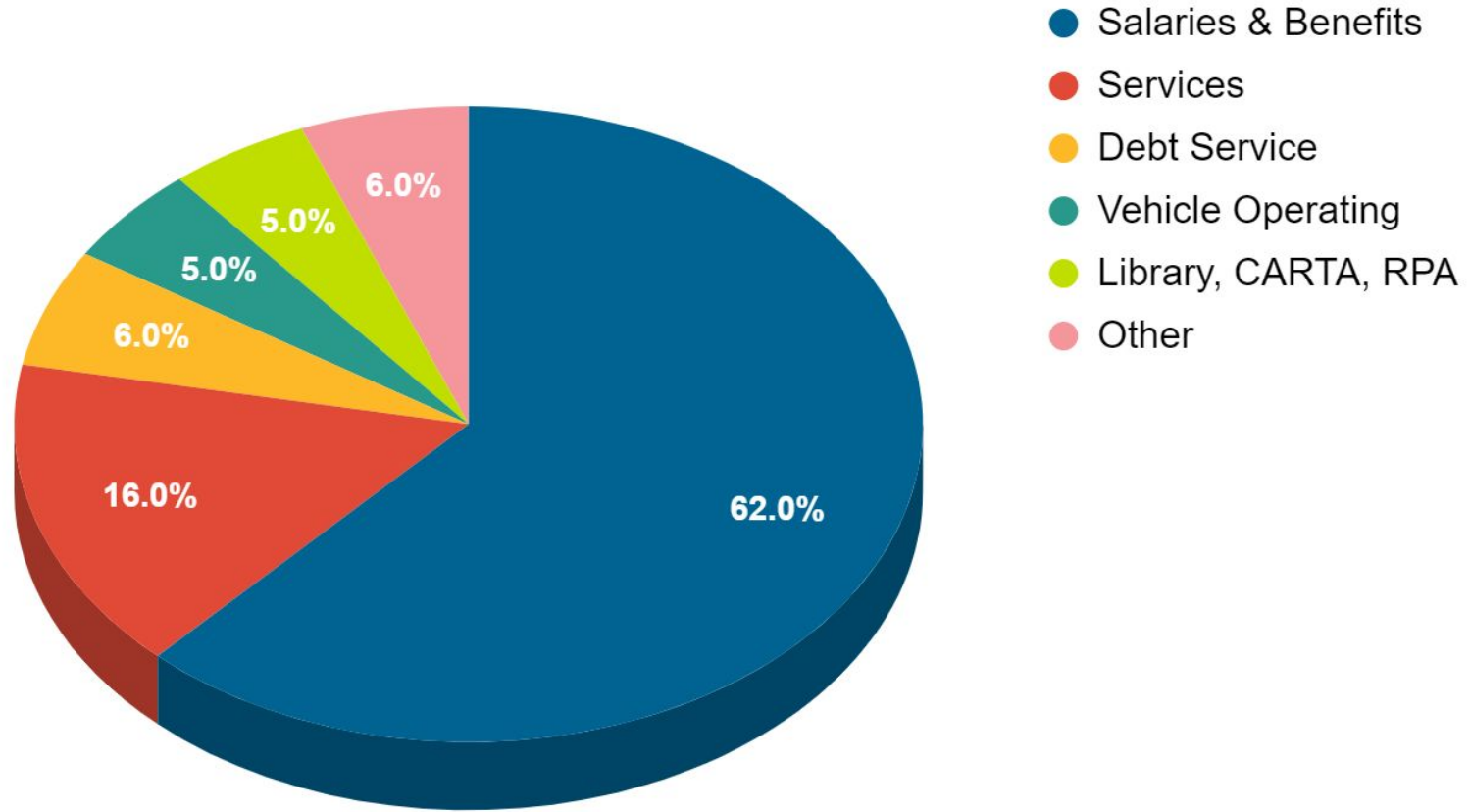
General Fund Expenditures

General Fund Expenditures by Department

Safety and Public Works comprise 59% of the budget.

Department	Dollars	Percent
Police	\$88,872,638	26%
Fire	\$62,941,693	19%
Public Works	\$47,837,449	14%
Debt Service	\$21,366,399	6%
General Government	\$24,453,995	7%
Information Technology	\$15,598,662	5%
Parks & Outdoors	\$17,035,232	5%
Quasi-Agencies	\$10,901,340	3%
Community Development	\$9,714,667	3%
Finance & Administration	\$7,264,692	2%
Executive Branch	\$6,625,672	2%
CARTA	\$5,800,000	2%
Other Departments	\$18,052,561	5%
Total Expenditures	\$336,465,000	100%

General Fund Expenditures by Type



One-Time Expenditures for FY25

In addition, we are funding \$2.9 million of new expenses from ARPA funds.

	Proposed
Partnership for Families, Children, and Adults	250,000
AIM Center	500,000
Legal Aid of East Tennessee (LAET)	326,245
Community Haven	750,000
Chattanooga Chamber - Chattanooga 2.0	200,000
Community Safety Victims and Violence Interrupter	100,000
Kiwanis - Play Park at Heritage House	75,000
EPB Home Energy Up Lift Program	100,000
Community/Public Health Data Assistant	95,884
Chattanooga Neighborhood Enterprise	500,000
Total	2,897,129

Other Funds

Other Funds	Revenues	Expenditures
Municipal Golf Course	\$2,546,253	\$2,546,253
Economic Development	\$19,319,000	\$20,819,000
State Street Aid	\$6,601,240	\$6,601,240
Hotel/Motel Tax	\$10,152,000	\$10,652,000
Narcotics	\$220,000	\$500,000
Debt Service	\$25,481,661	\$25,481,661
Waste Water	\$120,851,518	\$152,035,749
Solid Waste	\$6,125,200	\$6,125,200
Storm Water	\$35,476,500	\$35,476,500
TN Valley Regional Communications	\$1,927,688	\$1,927,688
Totals	\$228,701,060	\$262,165,291

When expenditures are higher than revenues, the difference is reserves being spent on capital needs.

Capital Budget Summary

Three Capital Funds

Capital Budget Fund	Dollars
General Government	\$74,930,369
Stormwater	\$10,400,000
Wastewater	\$101,000,000
Total Capital Budget	\$186,330,369

General Government Capital Budget

Functional Area	# of Projects	Dollars	External Funding	% of Total
Better Government	10	\$6,165,000	0%	8%
Economic Development	3	\$3,500,000	7%	5%
Education	3	\$702,000	0%	1%
Fleet	5	\$6,650,000	0%	9%
Neighborhoods	9	\$8,325,000	24%	11%
Outdoors	12	\$12,841,500	53%	17%
Public Safety	10	\$9,191,000	9%	12%
Roads and Bridges	16	\$26,055,869	29%	35%
Transit	1	\$1,500,000	0%	2%
Total GG Capital	69	\$74,930,369	23%	100%

In Closing...

- **Fiscally Sound**
- **No Tax Increase**
- **Continuing our work
for ONE Chattanooga**

Budget Timeline

Education Sessions	May 7, May 14, May 21, June 4
Public Hearing	June 4
Ordinance First Reading	June 11
Ordinance Second Reading	June 18

Budget Book is Available on the Website

The book includes:

- Executive Summary
- Revenue and Expense Overview
- Operating Budget Ordinance (Draft)
- Revenues
- Fund Summary
- Departmental Summaries
- Other Funds
- Capital Budget / Capital Improvement Plan



<https://chattanooga.gov/finance/finance-division/current-year-budget>

