

# Fiscal Year 2026 Budget Presentation

## Operating and Capital Budgets

### CITY OF CHATTANOOGA

Mayor Tim Kelly

Kevin Roig, Chief of Staff

Mande Green, Chief Operating Officer

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May 6th, 2025





# ONE CHATTANOOGA THROUGH LINES

ONE CHATTANOOGA will put our city on the path to shared prosperity and common purpose, with **7 goals and 40 key priorities**.

## BUILD A UNIVERSAL PATH TO EARLY LEARNING

## CATALYZE ECONOMIC VITALITY IN THE BLACK COMMUNITY

## ENSURE AFFORDABLE HOUSING CHOICES FOR ALL CHATTANOOGANS

## IMPROVE LOCAL INFRASTRUCTURE & PUBLIC TRANSIT

1. Expand access to early learning for all families
2. Integrate our early learning programs from prenatal care
3. Train the next generation of excellent early learning professionals
4. Partner with Hamilton County Schools to provide high opportunities and services for families
5. Make Chattanooga an investment-ready early learning hub
6. Increase pathways to entrepreneurship and access to capital
7. Create robust and accessible workforce development programs
8. Commit to meaningful and constructive recidivism reentry programs
9. Ensure city purchasing and procurement practices maximize economic vitality
10. Advance arts, culture, and the creative economy across the city
11. Invest in historically underserved neighborhoods
12. Engage and involve the whole community in city planning
13. Expand affordable housing inventory across the city
14. Diversify the range of capital options available for affordable housing development
15. Expand supportive housing resources to end chronic homelessness
16. Support both tenants and housing providers with eviction prevention resources
17. Preserve land for affordable housing in transition neighborhoods
18. Ensure timely, equitable, and responsive repairs to public infrastructure
19. Develop a strategic capital plan that includes long-term infrastructure investments
20. Modernize and invest in our public transit system
21. Design Chattanooga for sustainable and inclusive growth
22. Expand and connect our local parks, trails, and green spaces
23. Invest in sustainable and resilient infrastructure

## BUILD A COMPETITIVE REGIONAL ECONOMY

## CLOSE THE GAPS IN PUBLIC HEALTH

## PROVIDE RESPONSIVE AND EFFECTIVE LOCAL GOVERNMENT

24. Attract higher-paying jobs with targeted economic recruiting
25. Grow household income for all Chattanoogaans through workforce development and skills training
26. Ensure essential City workers are paid a living wage
27. Lead in the emerging green economy
28. Foster a welcoming, inclusive, and prosperous city for New Americans
29. Refine Chattanooga's competitive advantages and traded clusters vs. rival cities
30. Address racial and economic disparities in public health outcomes
31. Prevent violence in our community by addressing root causes
32. Support youth development with intentional support and opportunities
33. Destigmatize mental and emotional health, leading with City policies
34. Ensure all Chattanoogaans have access to fresh, healthy, and affordable food
35. Leverage and improve outdoor spaces to advance public health
36. Streamline our city processes and prioritize innovative approaches to city services
37. Increase opportunities for residents to engage local government
38. Implement practices and policies that ensure transparency and accountability
39. Invest in technology, platforms, and practices that allow Chattanooga to lead with citizen involvement and engagement
40. Advocate for local control over local issues and policies at the state and national level

# Budgeting for Momentum NOT Just Maintenance

# Less than 3 months ago...

**We made a bold and strategic \$ 29.9M investment from General Fund Reserves:**

- **\$18,000,000** to help shore up the Fire and Police Pension Fund
- **\$11,907,500** for key capital projects:
  - 73.4% – Critical Infrastructure and Public Safety
  - 12.6% – Community Development, Housing, and Parks
  - 8.1% – Technology Innovation and the Local Economy
  - 5.9% – Public Health, Education, and Mobility

# “The work is working.” – Mayor Tim Kelly

Strategic Focus Areas	Indicators of Progress
<i>Infrastructure Stability and Improvements</i>	<ul style="list-style-type: none"><li>• Visible progress against street and sidewalk repair backlogs</li><li>• Improved traffic flow and pedestrian safety</li><li>• Implementing new technologies to accelerate progress</li></ul>
<i>Parks, Community Spaces, &amp; Quality of Life</i>	<ul style="list-style-type: none"><li>• Enhancing our parks and community assets</li><li>• Increasing public use and satisfaction</li><li>• National Park City Designation</li><li>• State funding to back our Riverfront Revitalization</li></ul>
<i>Affordable Housing &amp; Community Services</i>	<ul style="list-style-type: none"><li>• Creation of new housing policies and incentives to encourage AH development</li><li>• Healthy utilization of programs to preserve existing AH</li><li>• Leveraging Community Centers to connect residents with resources and programs</li><li>• New technology to and physical improvements to help drive public usage</li></ul>
<i>Economic and Workforce Development</i>	<ul style="list-style-type: none"><li>• New Kelly Building small business resource hub to open in FY26</li><li>• Success and growth of apprenticeships and training offerings</li><li>• Groundbreakings on generational projects like South Broad and One Westside</li></ul>
<i>Early Learning</i>	<ul style="list-style-type: none"><li>• Expanded EL seats &amp; opportunities; 878 EL seats currently (restored AND new)</li><li>• Basics Chattanooga ( 3,500+ engagements with individuals since July 2024)</li><li>• Chattanooga Head Start at 97% of its funded enrollment</li><li>• 11,100 Total interventions, services, tangible items, or supports connected to students through the community schools strategy</li></ul>

**Voters in March overwhelmingly  
endorsed One Chattanooga.**

—

**This budget continues to advance  
those priorities.**



# Challenges & Opportunities in FY26

## Economic Uncertainties

- Continued rising costs
- Uncertainty in global economy
- Cumulative inflation >22% since 2020

## Washington Scaling Back

- ARPA expiration
- Federal funding landscape

## Maintaining our Competitiveness

- Attracting and retaining talent to carry out the mission
- Building on areas of alignment to capture available resources

# Operations Budget Overview

Department	Dollars	Percent
Police	\$89,011,816	26%
Fire	63,138,391	18%
Public Works	49,936,827	15%
Debt Service	21,653,113	6%
Agencies & Quasi Agencies	23,096,040	7%
Parks & Outdoors	16,820,975	5%
General Government	19,489,202	6%
Information Technology	17,343,334	5%
Other Departments	44,720,302	12%
<b>Total Expenditures</b>	<b>\$345,210,000</b>	<b>100%</b>

Included in Other Departments	
Executive Branch	\$7,718,976
Finance and Admin	8,090,167
Human Resources	3,005,659
Community Development	11,053,231
Early Learning	3,344,191
City Planning	619,699
Equity & Com Engagement	2,067,876
Economic Development	6,993,174
Constituent Services	1,827,329
<b>Total</b>	<b>\$44,720,302</b>

**Total Operations Variance vs FY 25 = \$8.75M**  
**Which is equivalent to expected 3% natural growth in General Fund revenue.**



# **The FY26 Budget continues optimizing systems, processes, and tasks...**

*Strategic realignments*

*Leveraging available technologies*

*In-housing core competencies*

## **to improve performance...**

*Efficient service delivery*

*Faster response times*

## **...and deliver more value to residents.**

*Customer-focused & Solutions-oriented*

# Operational Priorities in FY26

## Public Safety and Public Health

- Expand victim services and mental health response capacity
- Invest in technology upgrades, training, leadership development, and enhancing community engagement
- Funding for maintenance of critical fire equipment
- Doubling down on recruitment for Fire and Police
- Continuing to build on our Community Safety and Gun Violence Prevention efforts

## Infrastructure and Public Works

- Continued investment to improve road conditions
- Continued pursuit of operational efficiencies and in-housing core competencies
- Delivery of responsive, targeted improvements
- Executing against PCI paving priority list
- Technology integrations to improve responsiveness and service delivery

# Operational Priorities in FY26

- **Chattanooga's Digital Transformation**

- Strategic restructure of DTS to better support technical advancements and meet the City's needs
- Continue to strengthen cybersecurity and complete cloud migration
- Standardize systems and leverage data analytics for better decision-making
- Advance the digital workplace and expand AI use for automation and service delivery
- Modernize aging infrastructure and execute multi-year digital roadmaps
- Prioritize sustainability in DTS operations.

- **Workforce Development/Economic Development**

- Downtown business recruitment incentives
- Doubling-down on apprenticeships, micro-credentialing, & employer partnerships
  - Tech Accelerator Cohorts
  - Chattanooga State apprenticeship
  - City internships
- Eviction Prevention Initiative
- Builder's Blueprint

# Operational Priorities in FY26

- **City Attorney's Office**
  - 2 new positions
    - Operational effectiveness
- **Investing in our Employees, Optimizing for Outcomes**
  - Sustainable pay increases for our employees
  - 3% (COLA + Step Plan Funding)
  - Nearly \$5M invested into civilian and sworn
    - \$4.7 million in COLA for civilian
    - 5 new positions for CPD

# Effective, Responsive Government

- **Better Budgeting**
  - Operating Budgets that reflect reality
  - Contextualized Capital Requests
- **Forecasting and Predictability**
  - Healthcare costs (4% annually)
  - Step Plan
  - Settling PTO liabilities at the Department level
- **Vacancy Review Committee**
  - 2,001 positions vs. 2,064 in FY25
- **Bringing competencies in-house**
  - Smaller paving projects for better responsiveness
  - Wastewater tank cleaning
- **Integrating Technology to Enhance Service Delivery**
  - AI pothole scanner to ID in real time (live in FY26)
  - Centralizing traffic management capabilities (live in FY26)

# **FY26 General Government Capital Budget**

# \$41.5 Million in Calibrated Capital Investments

## Transportation and Infrastructure

- \$6 million for paving (+ \$4 million approved in this February) to continue Mayor Kelly's \$10 million annual commitment
- \$2.85 million for public transit capital improvements
- \$5.1 million to complete the city's funding for the Wilcox Bridge replacement
- \$4.3 million for roads, sidewalks and water investments in South Broad revitalization
- \$150,000 to modernize and re-time traffic lights
- \$4 million for Walnut St. Bridge project contingencies

## Public Safety

- \$250,000 for portable street bollards to enhance crowd safety
- \$468,064 for Chattanooga Fire Department equipment maintenance



## **Parks and Community Spaces**

- \$1 million for general parks maintenance
- \$150,000 for Carver Park
- \$2.75 million for the Riverfront Parks Redesign
- \$500,000 to begin work on a new senior center
- \$850,000 to continue work on Montague Park
- \$100,000 for the North Chickamauga Creek Greenway

## **Affordable Housing**

- \$1 million for rental rehabilitation
- \$1 million for homeowner rehabilitation
- \$500,000 for the AIM Center Espero Project
- \$6.6 million funding for CHA (James A Henry + Westside Evolves)

## **Good Governance**

- \$7 million to expand capacity at the City's Landfill (Birchwood)

# Other Funding for Agency Requests FY26

Operations	
\$70,000*	Chattanooga Design Studio
\$1,050,000	Chattanooga Area Convention & Visitors Bureau Inc. dba Chattanooga Tourism Co.
\$150,000*	Partnership for Families, Children and Adults
\$175,000*	RISE Chattanooga
\$100,000*	Habitat for Humanity
\$500,000*	Chattanooga Neighborhood Enterprise
\$750,000*	Community Haven
\$175,000*	CO.LAB
\$200,000	Carter Street Corp
\$40,000	UTC Center for Regional Economic Research
\$80,000	THRIVE
\$1,700,000	Enterprise Center
\$670,000	Chattanooga Chamber

Capital	
\$65,000*	LAUNCH, Inc.
\$250,000*	Chambliss Center for Children
\$50,000*	Hope for the Inner City, Inc.
\$46,025*	The Bethlehem Center
\$500,000	AIM Center
\$200,000	Coolidge National Medal of Honor Heritage Center
\$50,000*	Friends of the Zoo

*\*funded with non-recurring revenue*

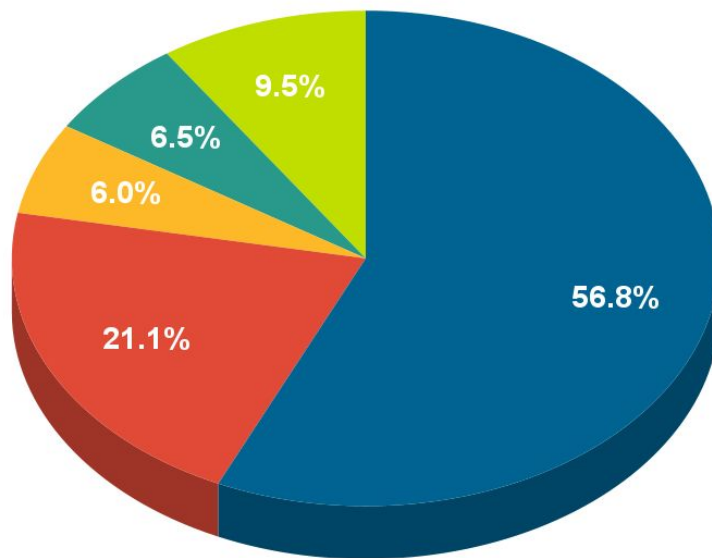
# General Fund Revenues

General Fund Revenue Source	Dollars	Percent
Property Taxes	\$ 196,211,000	57%
Local Sales Taxes	\$ 72,867,000	21%
Other Local Taxes	\$ 20,757,000	6%
State Sales Taxes	\$ 22,573,000	7%
Other Revenues	\$ 32,802,000	9%
<b>Total Revenue</b>	<b>\$ 345,210,000</b>	<b>100%</b>

Revenue increase of 2.6% resulting from natural growth.

Essential costs and department needs had a 17.1% increase in requests over FY25!

## General Fund Revenue Sources



# General Fund Expenditures

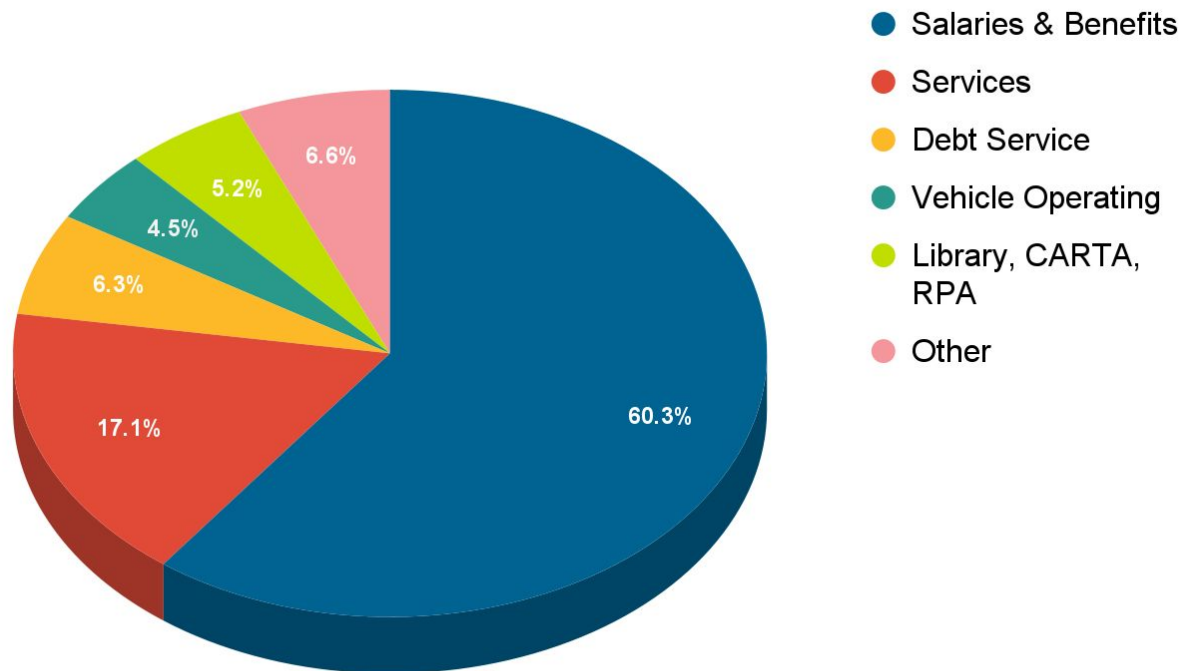
## General Fund Expenditures by Department

Safety and Public Works  
comprise 59% of the  
budget.

Department	Dollars	Percent
Police	\$89,011,816	26%
Fire	63,138,391	18%
Public Works	49,936,827	15%
Debt Service	21,653,113	6%
General Government	19,489,202	6%
Information Technology	17,343,334	5%
Parks & Outdoors	16,820,975	5%
Agencies & Quasi Agencies	15,451,040	5%
Community Development	11,053,231	3%
Finance & Administration	8,090,167	2%
Executive Branch	7,718,976	2%
CARTA	7,645,000	2%
Economic Development	6,993,174	2%
Other Departments	10,864,754	3%
<b>Total Expenditures</b>	<b>\$345,210,000</b>	<b>100%</b>



## General Fund Expenditures by Type

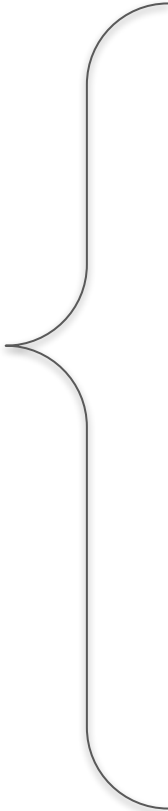


# Other Funds

Other Funds	Revenues	Expenditures
Municipal Golf Course	\$2,880,647	\$2,880,647
Economic Development	\$19,572,000	\$19,572,000
Narcotics	\$275,000	\$500,000
State Street Aid	\$6,840,000	\$9,096,300
Hotel/Motel Tax	\$10,218,000	\$13,218,000
Debt Service	\$25,828,807	\$25,828,807
Waste Water	\$128,036,540	\$151,769,593
Solid Waste	\$6,160,000	\$6,160,000
Storm Water	\$38,201,500	\$38,201,500
TN Valley Regional Communications	\$2,036,811	\$2,036,811
<b>Totals</b>	<b>\$240,049,305</b>	<b>\$269,263,658</b>

# Capital Budget Summary

Capital Budget Fund	Dollars
General Government	\$48,095,342
Solid Waste (GO Bonds)	\$7,000,000
Stormwater	\$16,250,448
Wastewater	\$127,180,000



\$18,000,000	GO Bonds
\$7,500,000	Hotel/Motel
\$9,000,000	Econ Dev
\$6,000,000	Fleet Fund Transfer
\$3,000,000	Pension Fund
\$211,025	ARPA Interest Earnings
\$2,256,300	State Street Aid
\$1,750,000	Reallocated ARPA
\$378,017	Federal

## General Government Capital Budget

Functional Area	# of Projects	Dollars	External Funding	% of Total
Better Government	3	\$3,650,000	0%	8%
Economic Development	4	\$2,565,000	0%	5%
Education	2	\$450,000	0%	1%
Fleet	1	\$6,000,000	0%	12%
Neighborhoods	5	\$7,221,025	0%	15%
Outdoors	8	\$3,450,000	0%	7%
Public Safety	4	\$718,064	0%	1%
Roads and Bridges	7	\$21,184,317	2%	44%
Transit	1	\$2,856,936	0%	6%
<b>Total GG Capital</b>	<b>35</b>	<b>\$48,095,342</b>	<b>1%</b>	<b>100%</b>

## **In Closing...**

- **Fiscally Sound**
- **Continuing our work for ONE Chattanooga**



# Budget Timeline

Education Sessions	May 13, May 20
Public Hearing	May 20
Ordinance First Reading	June 3
Ordinance Second Reading	June 10

# Access the Mayor's Proposed Budget for FY 2026 Online

Scan the QR code or visit the URL to view the FY26 Budget Book.

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

[cha.city/FY26MBUD](https://cha.city/FY26MBUD)

