

ONE CHATTANOOGA PAFR 2021

POPULAR ANNUAL FINANCIAL
REPORT FOR THE YEAR ENDED
JUNE 30, 2021

**CHATTANOOGA, TN
MAYOR TIM KELLY**

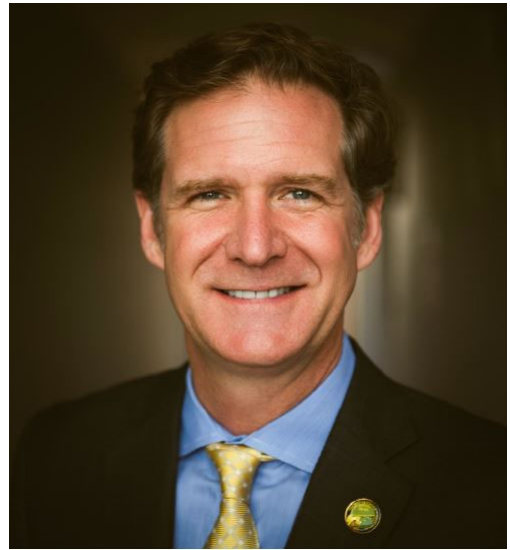


Mayor's Letter



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

January 31, 2022



Mayor Tim Kelly

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, 2021.

While sworn into office with just over 100 days of the 2021 fiscal year left, our team immediately began working to make Chattanooga a more equitable, prosperous, and resilient city. The foundation for this is the reorganization of government. Through the strategic process of reorganizing our City departments and offices, we successfully worked to align structure with our priorities and values. We created a framework for establishing a new Department of Early Learning, Department of Equity and Community Engagement, Department of Innovation Delivery and Performance, and more, always with residents at the top of mind.

I believe firmly that the best ideas don't come solely from inside the walls of City Hall, and that we are not truly serving the people of this great city if we are not giving them a seat at the table. That is why we began Mayor's Open Office Hours, a recurring opportunity for residents to meet with my senior team and me in community centers across Chattanooga. Through these events—and undoubtedly the many more to come—we heard from residents about the issues affecting their neighborhoods, as well as innovative ideas to help Chattanooga live up to its full potential.

We continued through the COVID-10 pandemic during the 2021 fiscal year, making difficult but necessary changes to city policies like the temporary closure of community centers, with the exception of free, convenient vaccination opportunities for Chattanoogans. However, we continue forward in providing quality services and outreach to city residents. Chattanooga City Hall did not once close its doors to our constituents, a testament to the dedication of our many public servants.

The 2021 fiscal year provided a basis for the many great initiatives and improvements to come over the next several years, and I look forward to experiencing these successes with you. Together, we will continue to build a city that works for everyone, as One Chattanooga.

Sincerely,

A handwritten signature in black ink, appearing to read "Tim Kelly".

Mayor Tim Kelly
City of Chattanooga

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

Dear Citizens of Chattanooga,

We are pleased to present to you the City of Chattanooga's Popular Annual Financial Report (PAFR) for the year ended June 30, 2021. 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 Annual Comprehensive Financial Report (ACFR), 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 ACFR at www.chattanooga.gov/finance/finance-division/acfr.



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.

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 the for fiscal year ended June 30, 2020. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports

In order to receive an award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a PAFR, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The City of Chattanooga has received a Popular award for the last eight years. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

The City of Chattanooga Annual Comprehensive Financial Report for the year ended June 30, 2021, from which the information on pages 8-13 has been drawn, was awarded the Certificate of Achievement for Excellence in Financial Reporting by Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

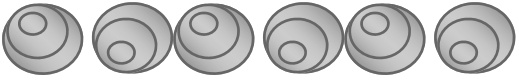
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report (ACFR), whose contents conform to program standard. Such an ACFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another Certificate.

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

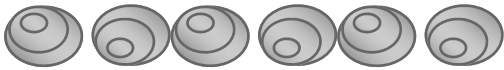
Respectfully,

A handwritten signature in black ink that reads "Daisy W. Madison".



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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, 2020

Christopher P. Morrill

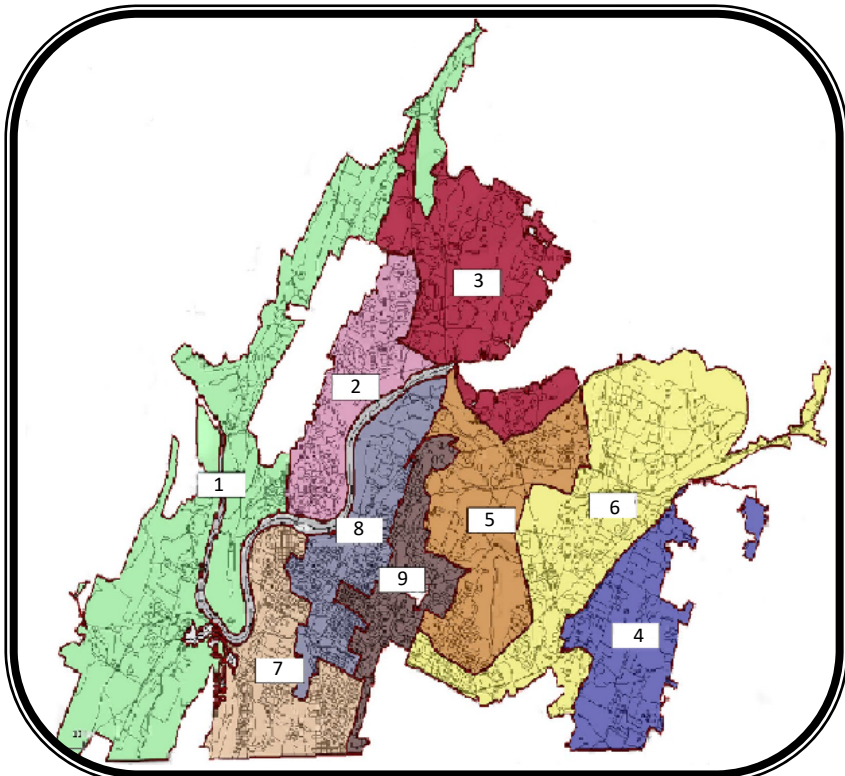
Executive Director/CEO





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

Official results of the 2020 U.S. Census show a population of 181,099, an 8% growth since the 2010 Census. The most recent Census Bureau data shows the city with a population estimated of 182,799. 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 a property owner or by a referendum of the people in the affected areas that might want to petition to come into the city.



City Council

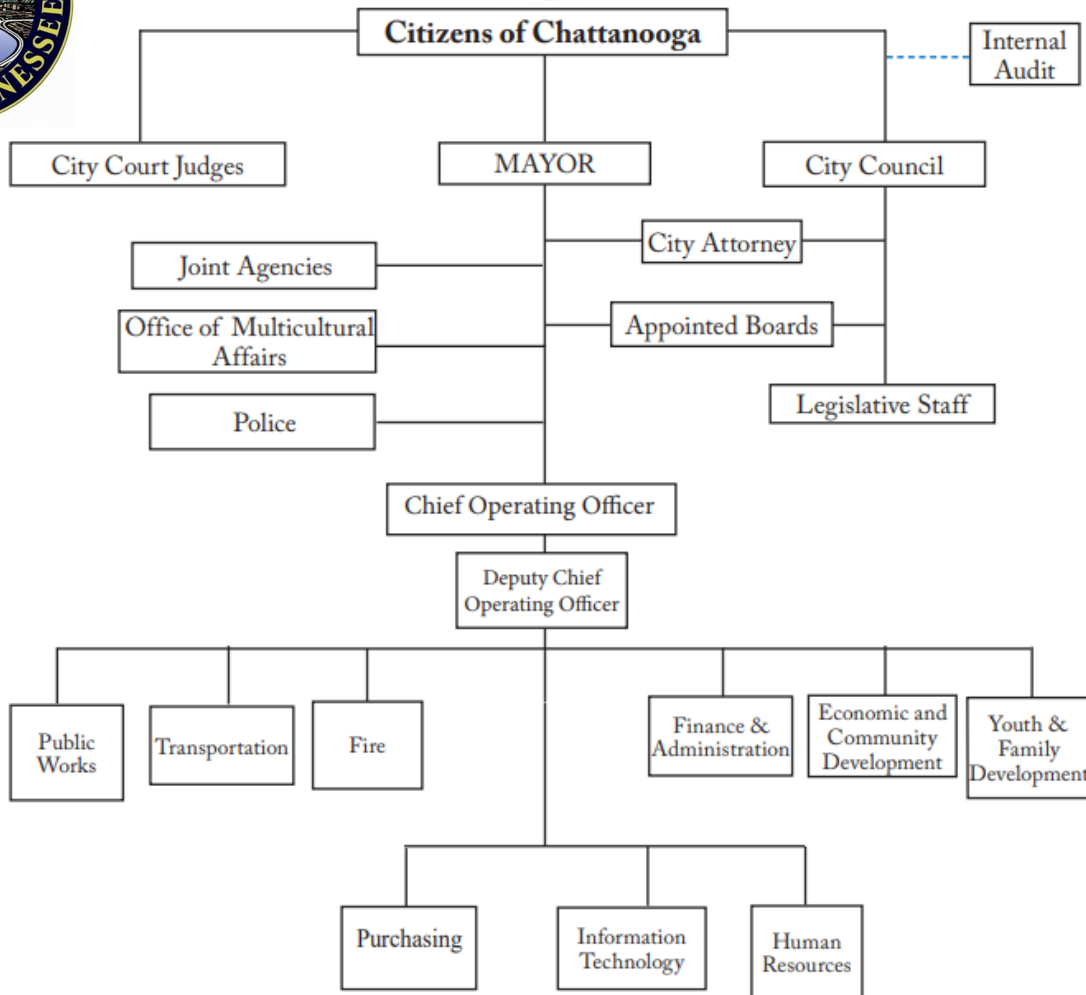
Meets each Tuesday at 6:00 p.m.

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

District 2	Jenny Hill	(423) 643-7187
District 3	Ken Smith	(423) 643-7188
District 4	Darrin Ledford	(423) 643-7184
District 5	Isiah Hester	(423) 643-7183
District 6	Carol Berz	(423) 643-7181
District 7	Raquetta Dotley	(423) 643-7180
District 8	Anthony Byrd	(423) 643-7182
District 9	Demetrus Coonrod	(423) 643-7185



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



City Government Department Contacts:

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

Through the One Chattanooga vision, Chattanooga Mayor Tim Kelly has aligned the priorities of City Government with those established by the community to ensure all of our residents have access to opportunity, thriving neighborhoods, and good health. Whether it's through youth engagement, vibrant public spaces, public-private partnerships, or world-class public art, we are committed to ensuring Chattanooga is the best city in America.

What Is Happening In Our City



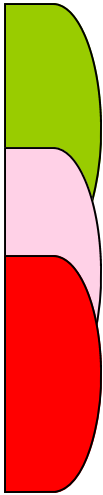
Manufacturing continues the resurgence that began in 2008 with the announcement that Volkswagen AG would locate its United States manufacturing headquarters in Chattanooga. Since that time, the area has attracted \$4 billion in foreign direct involvement. The Enterprise South Industrial Park hosts numerous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



An additional 300 employees are being hired to produce the new 5-seat SUV model to complement the current 7-seat version, investing an additional \$340 million. Additionally, Volkswagen just announced another \$800 million expansion to the plant facility for the production of an electric vehicle, expected to go on sale in 2022. ATN Hoelzel LP, a supplier to VW, will move its manufacturing facility closer to the VW factory and also relocated its North American headquarters to Chattanooga. This \$6 million move will add an estimated 100 jobs over the next five years. Nippon Paint, a Japanese company, also began construction on a 270,000 square foot factory in East Chattanooga. This will be a \$61 million investment and will bring 150 new jobs. Gestamp, a supplier to VW, BMW, and Mercedes-Benz announced plans for a \$94 million expansion. This will bring an additional 260 jobs to the area.

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





CHATTANOOGA LARGEST EMPLOYERS

Source: Chattanooga Chamber of Commerce

Hamilton County Schools	4,980
BlueCross BlueShield of Tennessee	4,855
Erlanger Health System	4,852
CHI Memorial	3,549
Tennessee Valley Authority	3,431
Volkswagen Chattanooga	2,982
McKee Foods Corporation	2,928
Unum	2,800
Amazon.com Services LLC	2,518
City of Chattanooga	2,217

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

Major Employment Sectors

Trade, transportation, utilities	20%
Government	15%
Manufacturing	13%
Professionals & business services	20%
Education & health	13%
Leisure & hospitality	10%

“Chattanooga Climbs”

The first phase of the “Chattanooga Climbs” campaign, conducted from July 2019—June 2024, set the following goals for job growth: increase regional employment by 5,000, increase private investment by \$1 billion and create \$500 million in new payroll income. The results are 2,190 new jobs were created, private investment reached \$970 million and new payroll income reached \$231 million.

June 2021 Unemployment Rates

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

Year	U.S	TN	Chattanooga MSA
2016	4.9%	4.1%	5.1%
2017	4.4%	3.6%	4.3%
2018	3.7%	3.7%	3.4%
2019	3.7%	3.4%	3.9%
2020	11.2%	9.7%	8.2%
2021	5.4%	4.9%	7.5%

A Central Business Improvement District (CBID) was established in 2020 to promote continued revitalization of the area. Within the CBID, the City’s \$4.9 million project to reshape the historic Patten Parkway Block is nearing completion.



A recent extension of M.L. King Blvd, west to the Tennessee River is complete. A portion of the funding was provided by a \$4 million Tax Increment Financing plan and includes a medical office building and new apartments. Adjacent to the area is the former Alstom plant site, purchased in 2018 by a private development group. This 112-acre parcel along the river is envisioned to attract \$2 billion of investment to add manufacturing, office, and residential uses.

The areas known as the Southside, East Main Street Corridor, and South Broad District continue to attract major investment, including recently announced grocery chain, apartments, rerouting of a portion of the Riverwalk, and townhouse developments

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

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

2021 Annual Financial “Physical” Comparison

Vital Signs	Government	Chattanooga	Memphis	Nashville	Knoxville
Weight	Bond Rating (Standard & Poor's)	AAA	AA	AA	AA+
Blood Pressure	Property Tax Rate-City	2.25%	3.20%	3.79%	2.46%
Blood Pressure	Property Tax Rate-City & County	4.49%	7.25%	4.22%	4.78%
Cholesterol	Tax Levy Per Capita-City	\$780.06	\$652.17	\$1,965.14	\$696.11
Height	Per Capita income**	\$49,865	\$51,155	\$62,076	\$50,540
Temperature	Population	182,799	633,104	715,491	190,740
Stress Test	Unemployment Rate	5.4%	9.6%	5.2%	5.2%
Pulse	Net Debt Per Capita	\$2,008	\$4,206	\$6,805	\$1,026
Blood Sugar	Net Debt as % of Personal Income	4.24%	4.24%	10.85%	3.82%

(1) U.S. Bureau of the Census

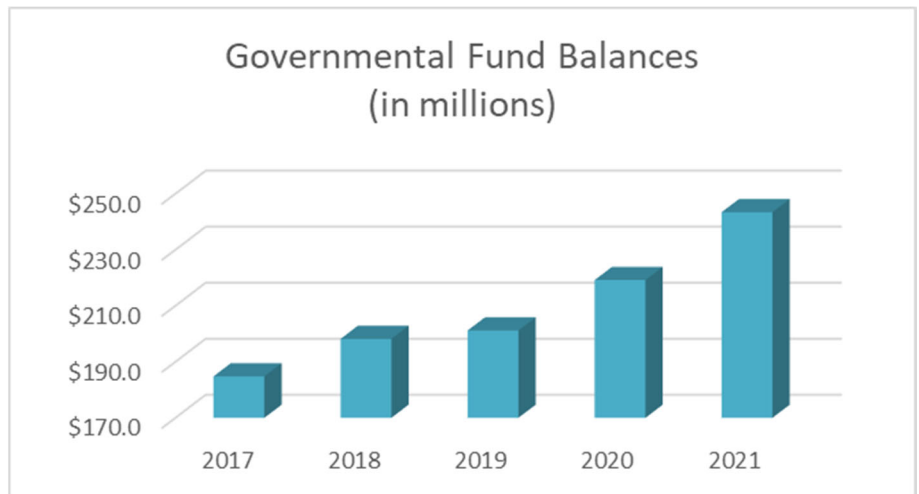
(2) U.S. Department of Labor Bureau of Labor Statistics

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



Governmental Funds consist of the following funds:

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



The measurement used to evaluate each fund is called fund balance which is simply an accumulation of revenues minus expenditures. Maintaining an adequate fund balance is important for any municipality because it provides a financial "safety net" in the event of emergencies, economic downturns, or other unforeseen circumstances. This year, the City’s governmental fund balance is \$243.4 million which increased \$24.2 million, or 11.0% compared to last year. The increase is mainly due to the increase in tax revenue of \$6.2 million. 40.4% of the fund balance, or \$98.4 million, is available for spending at the City’s discretion. The city has maintained a healthy financial position through sound fiscal management. We have a history of strong fiscal discipline, healthy reserves, and constant review of operations, being ever vigilant to find new efficiencies and cost reduction measures.

Where The Money Comes From

The General Fund

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

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

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

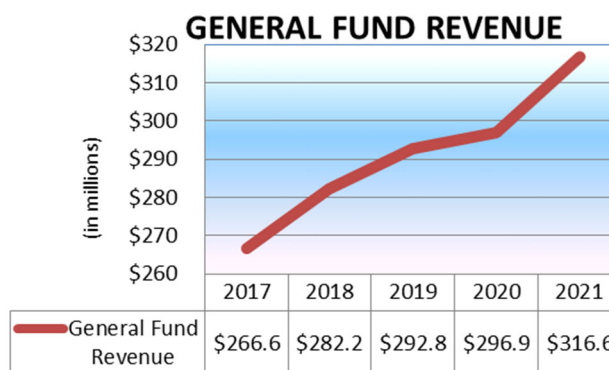
This year's general fund revenue increased \$20.1 million or 6.7% from the prior year. The primary contributing factors are the growth in property taxes and intergovernmental revenue Both are positive signs of healthy economy in

Tax Revenue Sources

(in millions)

	<u>FY 2021</u>	<u>FY 2020</u>	<u>Change</u>
Property tax	\$156.1	\$151.3	\$4.8
Franchise taxes	\$4.4	\$4.2	\$0.2
Liquor & Beer taxes	\$9.2	\$8.6	\$0.6
Gross receipts tax	\$6.8	\$6.2	\$0.6
Total	\$176.5	\$170.3	\$6.2

Taxes by far are the biggest portion of the total revenue city government receives each year. Here are some highlights of the changes during the year. In fiscal year 2021, tax revenue increased by \$6.2 million or 3.6% over the last year. Property tax revenue, which includes current and delinquent taxes, increased by \$4.8 million or 3.5%, from the prior year. Gross Receipts Tax and Corporate Intangible Property Tax also increased \$1.42 million or 8.2%.



Licenses, fees and charges are revenues received for services provided by city government and there was a small decrease of \$18,000 or 0.3% decrease from the prior year. Other revenue increased by \$913,000 or 11.9%, which was largely due to refund of \$1.3 million, which is offset by a insurance settlement of \$425,000 in FY20. Investment income decreased \$3.0 million or 81.5%. This decrease is primarily due to reduced interested rates resulting from market conditions during the pandemic.

Licenses, fees, and charges \$21.9 million or 7.0%



Taxes \$176.5 million or 55.9%

Intergovernmental revenues \$117.1 million or 37.1%

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 2021, intergovernmental revenue increased \$16.0 million, or 15.7%. This increase includes \$7.0 million in FEMA/TEMA funding for the April 2020 tornado, \$6.3 million in COVID-19 grant funding, and \$5.9 million increase in local option sales tax. Overall increases in sales tax is an indicator of the health of the local economy.

Intergovernmental Revenue Sources

(in millions)

	<u>FY 2021</u>	<u>FY 2020</u>	<u>Change</u>
State of TN	\$28.0	\$21.8	\$6.2
Hamilton County	1.4	1.4	0.1
County-wide sales tax	71.9	66.0	5.9
Others	15.7	11.9	3.8
Total	\$117.1	\$101.1	\$16.0

How The Money Is Spent

To ensure the priorities of City Government are aligned with those established by the community, fiscal year 2021 general fund spending was allocated according to then Mayor Andy Berke's five strategic priority areas:

- ◇ **Safer Streets 52%** - The City actively implements smart policing strategies, effective prevention programs for our youth, and high-quality response.
- ◇ **Stronger Neighborhoods 16%** - Building Strong Neighborhoods is critical to the long-term health of any City. Every Chattanooga citizen should have the opportunity to live in a thriving neighborhood with high quality affordable homes, recreation opportunities nearby, and access to a variety of transportation options.
- ◇ **Smarter Students and Strong Families 12%** - To ensure Chattanooga has a successful future and a high quality of life, the City is investing in building Smarter Students and Stronger Families by supporting kids from cradle to career, providing character education, and creating effective programming for seniors and parents.
- ◇ **Growing Economy 6%** - Growing our local economy means investing in small businesses, ensuring Chattanooga has the skills to compete, and strengthening our infrastructure to support business expansion.
- ◇ **High Performing Government 14%** - The City of Chattanooga strives each day to operate a High Performing Government by ensuring the long-term financial health of the City, using each dollar effectively, and providing excellent customer service.



General Fund Expenditures

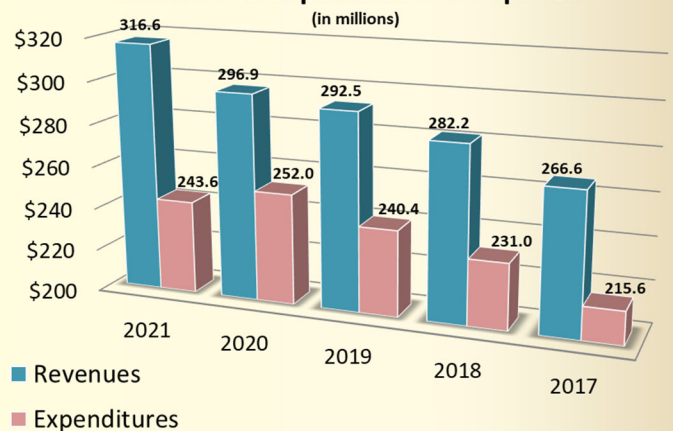
(in million)

	FY 2021	FY 2020	Change
General Government	\$64.1	\$62.6	\$1.4
Economic & Community Development	10.6	9.1	1.5
Public Safety	112.8	120.4	(7.6)
Public Works & Transportation	45.6	48.6	(3.0)
Youth & Family Development	10.5	11.2	(0.7)
Total	\$243.6	\$252.0	(\$8.4)

Here we will only focus on the chief operating fund of the City, the general fund. According to the reporting requirement of the GFOA, general fund expenditures are categorized by type of service provided. In fiscal year 2021, total expenditures decreased \$8.4 million or 3.3 percent from the previous year. Major changes are discussed below:

- ◆ Employee compensation decreased by \$4.3 million or 2.7 percent. Salaries for full-time employees decreased \$3.1 million, or 3.5 percent, primarily due to a freeze on hiring except for essential positions due to uncertainties with respect to the pandemic.
- ◆ Operations cost decreased by \$4.1 million or 4.3 percent. The largest decrease was for debris removal and cleanup of \$3.5 million, which was due to the April 2020 tornado disaster where we incurred most of the debris removal costs in FY20 versus FY21. Other decreases include \$1.6 million related to a suspension of the capital component of the fleet lease rate and a \$740,000 decrease in on-the-job injury claims. These decreases were offset by an increase in IT maintenance costs of \$1.5 million, largely due to a new Software as a Service (SaaS) city-wide implementation for Oracle Cloud.

General Fund Revenues & Expenditures Comparison



Governmental & Business-type

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

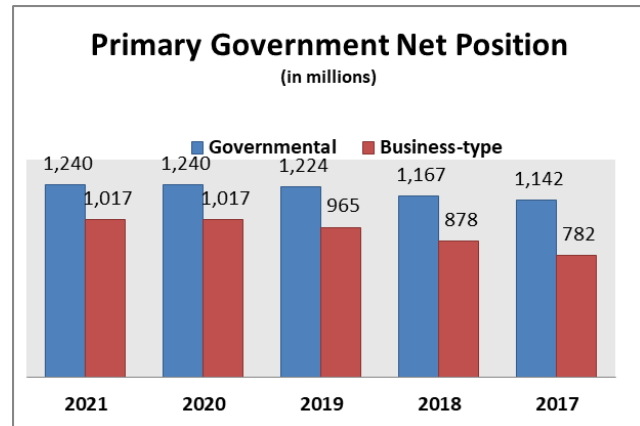
- Governmental activities:** primarily supported by taxes and inter-governmental revenues. Activities include General Government, Economic and Community Development, Public Safety, Public Works, Transportation, Youth and Family Development.
- Business – type activities:** costs are supported by user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

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/acfr.

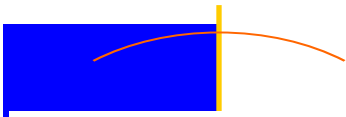
Net Position

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



At the end of fiscal year 2021, the net position of the primary government, which is the combination of governmental activities and business-type activities. By far the largest portion of the City's net position, \$2.2 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. Also included in the city's net position is \$206.2 million that are subject to external restrictions on use. The remaining balance is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors. There is a \$282,000 deficit in unrestricted net position, which has been trending positively over the past few years.

(In Millions)	2021	2020	2019	2018	2017
Governmental activities					
Net investment in capital assets *	1,383.7	1,323.2	1,324.1	1,285.9	1,278.0
Restricted	89.8	91.6	71.6	65.4	60.7
Unrestricted	(171.6)	(174.5)	(171.6)	(183.8)	(196.3)
Total governmental activities net position	1,301.9	1,240.3	1,224.1	1,167.5	1,142.4
Business-type activities					
Net investment in capital assets *	835.5	814.0	741.0	720.7	652.0
Restricted	116.4	102.0	97.9	71.0	76.1
Unrestricted	171.3	101.0	125.9	86.4	53.4
Total business-type activities net position	1,123.2	1,017.0	964.8	878.1	781.5
Primary government					
Net investment in capital assets *	2,219.2	2,137.2	2,065.1	2,006.6	1,930.0
Restricted	206.2	193.6	169.5	136.3	136.8
Unrestricted	(0.3)	(73.5)	(45.7)	(97.4)	(142.9)
Total primary government net position	2,425.1	2,257.3	2,188.9	2,045.5	1,923.9
* Net of related debt					

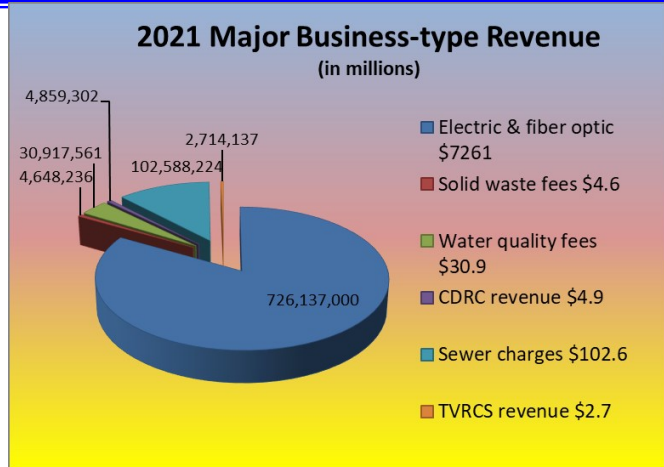


Business-type Activities

Revenue for the City's business-type activities was \$871.7 million for fiscal year 2021, a \$10.9 million or 1.3% decrease. During the same time, expenses were \$764.5 million, a \$39.4 million or 4.9% decrease. Here we will focus our discussion on the major business-type activities.

The largest portion of the Business-type activities is Electric Power Board (EPB). EPB is a city owned company that provides electric utility and fiber optic service for residential and commercial uses in Chattanooga and surrounding areas. EPB is managed as an enterprise operation by a board appointed by the Mayor and City Council. This year the total net position increased \$47.9 million or 10.4% to \$509.0 million, mainly due to an increase of \$84.1 million in cash and investments which can be largely attributed to the June 2021 bond issuance in addition to increases of \$10.3 million in Utility Plant. Operating revenues are up \$6.8 million or 1.0%. For more information on the fiscal year 2021 annual report, please visit www.epb.com/about/annual-reports/

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



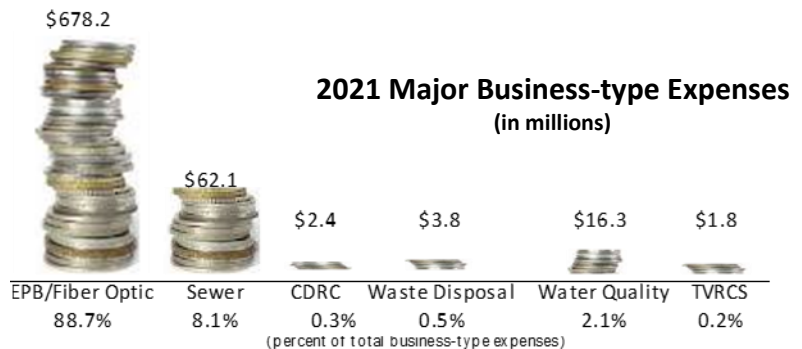
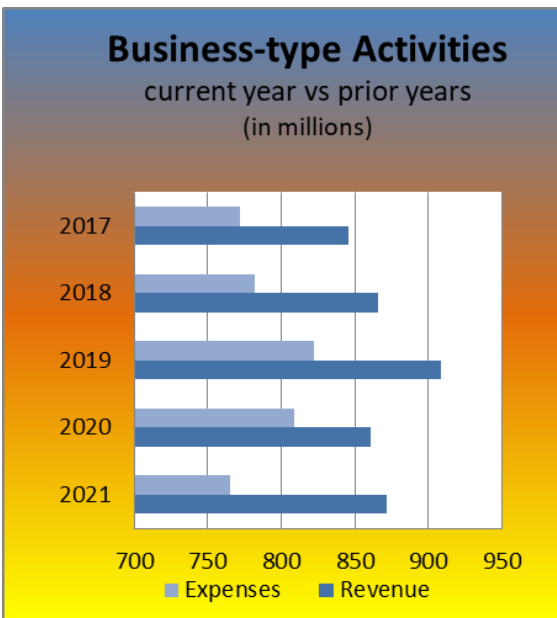
Net position of the Interceptor Sewer System increased \$40.0 million or 9.2%, to \$473.0 million. Unrestricted net position (available to finance on-going operations) increased \$22.7 million or 35.8% to \$86.3 million. An additional 95.5 million is restricted for future capital spending, a increase of \$19.0 million.

Chattanooga Downtown Redevelopment Corporation (CDRC) accounts for redevelopment financing, the operations of the Southside Parking Garage and other parking facilities, and other activities. It has a net position of \$10.3 million, an increase of \$2.4 million from last year.

The City operates a municipal solid waste landfill. The primary customer is city government. The fund has a net position of \$15.1 million. To date, the City has accrued liabilities of \$4.6 million for closure and post closure care costs with adequate investments earmarked to cover these costs.

The water quality management program was established to comply with EPA guidelines. It currently has \$108.5 million in net position, an increase of \$14.2 million or 15.0% from last year. Net investment in capital is \$57.9 million leaving the amount available to fund day-to-day operations at \$46.7 million. An additional \$4.0 million is restricted for future capital spending.

The Tennessee Valley Regional Communication System Fund was established in fiscal year 2016 to account for a regional communication system that services multi-county/multi-state region. It currently has a net



Capital Assets & Long Term Debt



Capital Assets Net of Depreciation

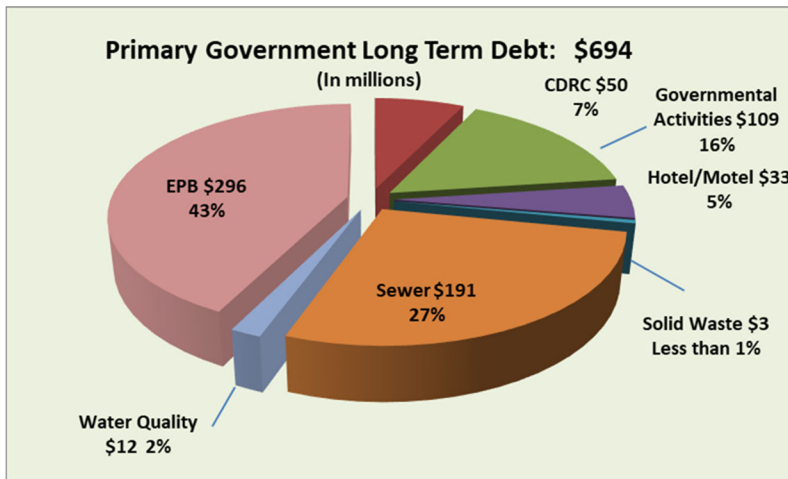
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Non-depreciable:						
Land & Easements	\$1,142	\$1,118	\$23	\$22	\$1,165	\$1,140
Construction in progress	75	84	220	186	295	270
Depreciable:						
Buildings & Improvements	76	76	101	102	177	178
Vehicles & Machinery	36	30	133	148	169	178
Infrastructure	210	186	802	770	1,012	956
Total	\$1,539	\$1,494	\$1,279	\$1,228	\$2,818	\$2,722

At the end of fiscal year 2021 the City had \$2.8 billion net investment in capital assets (net of accumulated depreciation) an increase of \$94.9 million or 3.5% from last year. This investment includes land, buildings, utility system improvements, 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.

The 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. The City's general obligation debt, net of self-supporting debt, is \$122.1 million; this is 1.96% of the assessed value of \$6,234,412,936 billion. As of year-end, EPB had \$295.8 million in revenue bond outstanding compared to \$235.8 million last year. These bonds are rated "AA+" by Standard & Poor's and Fitch.



As of June 30, 2021 the City had \$693.9 million in long-term debt outstanding. This is a \$61.0 million increase or 9.6% percent from last year. Detail is provided in the narrative below.

- ◇ The city did not issue any new general obligation debt in 2021.
- ◇ The Interceptor Sewer System drew down \$47.7 million from a state revolving loan fund for EPA consent decree projects.
- ◇ A total of \$57.8 million in debt was retired during the fiscal year; \$33.4 million in bond principal payments were made with an additional \$24.3 million in note and lease repayments.

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)

	2021	2020	2019	2018	2017
Beginning Balance	\$160	\$162	\$186	\$206	\$212
Debt issued	0	39	0	1	27
Principal repaid	18	19	21	21	18
Refunded	0	22	3	0	15
Ending Balance	142	160	162	186	206
Outstanding Debt per Capita	\$768	\$875	\$900	\$1,042	\$1,163

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

According to credit rating agencies, any entity receives "AAA" rating means that it has an extremely strong capacity to meet its financial commitments, which allows the City to take advantage of lower borrowing rates.

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

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



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

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Finance & Administration Department
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Chattanooga, TN 37402