



ONE CHATTANOOGA

2023 FINANCIAL GUIDE

Annual Financial Guide
for the Year Ended June 30, 2023

CITY OF CHATTANOOGA • MAYOR TIM KELLY



TABLE OF CONTENTS

02

Contents & Introduction

04

Mayor & City Council

08

What's Happening

12

Comparative Data

14

Basics of Govt Finance

16

Governmental Financial Statements

20

Business Financial Statements

22

Grants Management

24

Budget Process

28

Accountability & Internal Audit





Introduction

We are pleased to present Chattanooga's Financial Guide, our Popular Annual Financial Report for the fiscal year ending on June 30, 2023. Our goal is to make the City of Chattanooga's financial data more accessible and understandable to residents without a background in accounting. Development of the 2023 Financial Guide follows the City's commitment to providing outstanding transparency and the highest quality financial reporting.

This report is an overview of the City's financial position and long-standing financial practices. It identifies revenue sources and describes how they are spent in a fiscally responsible manner. Our fiscal stability is reflected by our AAA bond rating from Standard & Poor's and Fitch.

The Financial Guide is not an audited report, but the financial data within it comes from the City's Annual Comprehensive Financial Report (ACFR), which is audited. For more detailed financial information, the FY23 ACFR will be your best source. The City's financial reports can all be found on the city's website.

Sincerely,
Vickie Haley
Chief Financial Officer (Interim)



Explore the City's full financial statements at:
www.chattanooga.gov/finance/finance-division



Message from the Mayor

I am honored to present the City of Chattanooga's Financial Guide for the fiscal year ending on June 30, 2023. The 2022-2023 fiscal year was defined by bold investments. With our One Chattanooga Plan in hand, we set forth to tackle the issues Chattanoogaans care about the most, from roads to housing to public safety – and we did it all without a tax increase.

As pledged during my campaign, we prioritized the repair of Chattanooga's aging infrastructure. The FY22-23 budget invested \$131 million into infrastructure improvements to bring Chattanooga's roads, bridges, and water projects up to par.

This year was also pivotal in addressing affordable housing. We made significant investments into affordable housing initiatives and saw a 40% decrease in the number of people experiencing unsheltered homelessness in our city.

Finally, we continued our dedication to public safety, with nearly half of our operating budget going to fire, police, and other safety initiatives dedicated to building a safer Chattanooga for everyone.

I'd like to thank the City Council for their partnership over the past fiscal year, along with the many residents, community organizations, and staff members who helped make this year successful. Together, we will continue the important work of creating One Chattanooga in the years ahead.

Sincerely,
Mayor Tim Kelly

The **ONE** **CHATTANOOGA** Strategy

BUILD A PATH TO UNIVERSAL EARLY LEARNING

Where every child is prepared to thrive and succeed

CATALYZE ECONOMIC VITALITY IN THE BLACK COMMUNITY

Where there's a better way forward for Black Chattanoogaans

ENSURE ACCESSIBLE HOUSING CHOICES FOR ALL

Where every Chattanoogaan has an affordable place to call home

IMPROVE OUR LOCAL INFRASTRUCTURE & PUBLIC TRANSIT

Where we build a strong foundation for the future

BUILD A COMPETITIVE REGIONAL ECONOMY

Where opportunity for all creates economic vitality

CLOSE THE GAPS IN PUBLIC HEALTH

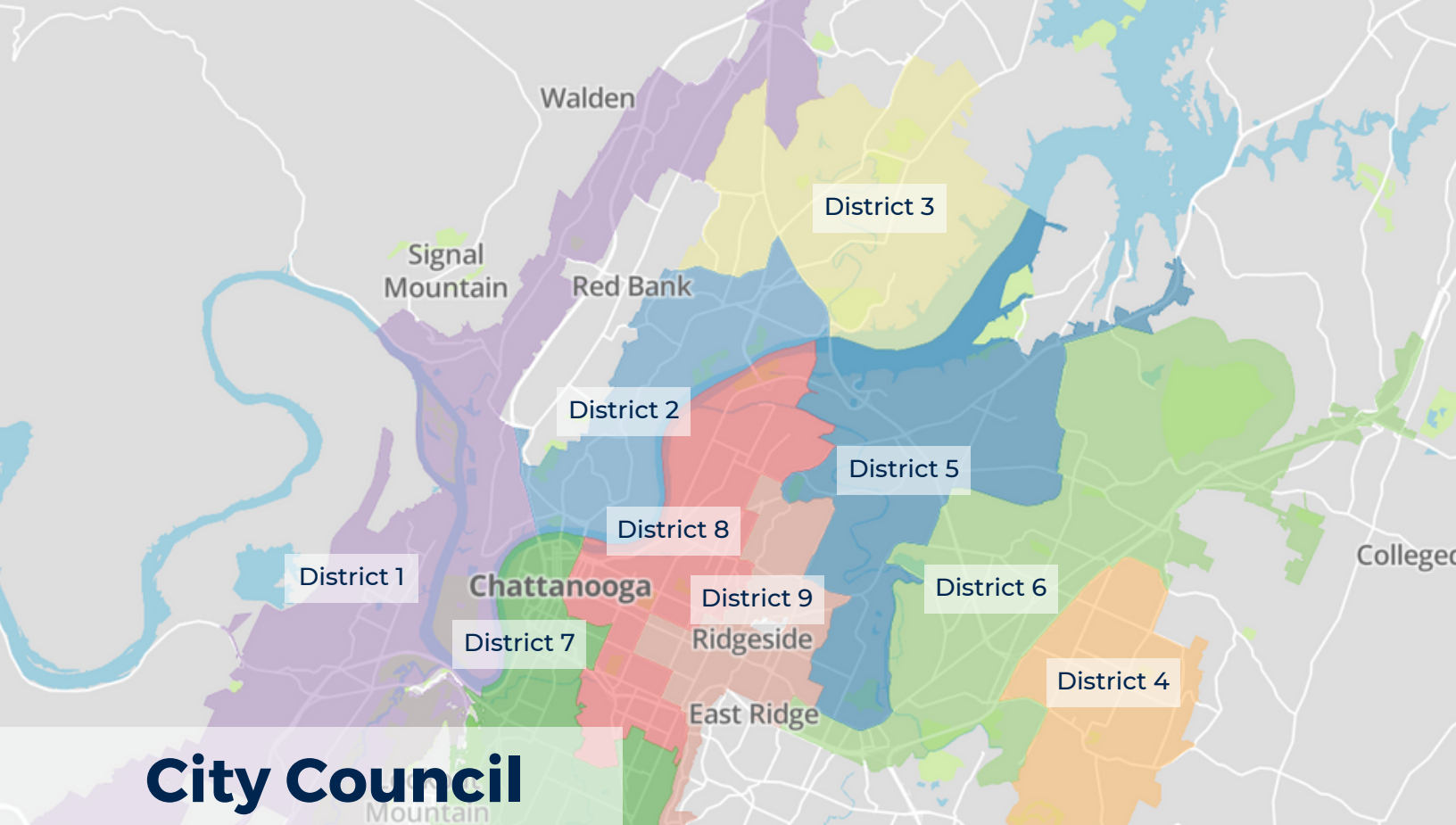
Where all Chattanoogaans can lead a happy, healthy life

ENSURE RESPONSIVE AND EFFECTIVE LOCAL GOVERNMENT

Where the nuts and bolts of government are done right

These eleven principles serve as guideposts for an emerging culture within City government and the foundation for our strategic vision as a city:


- 01 Equity**
- 02 Accountability**
- 03 The Urgency of Now**
- 04 Candor**
- 05 Justice over Charity**
- 06 People First**
- 07 Involved and Invested, not just Informed**
- 08 Localism**
- 09 Opportunity in Service of Prosperity**
- 10 Common Sense for Common Purpose**
- 11 Respect**



City Council



CHIP HENDERSON

-  District 1
-  423-643-7186
-  cchenderson@chattanooga.gov






JENNY HILL

-  District 2
-  423-643-7187
-  jhill@chattanooga.gov



KEN SMITH

-  District 3
-  423-643-7188
-  kensmith@chattanooga.gov

The Chattanooga City Council is the legislative branch of our government. Council members are responsible for passing ordinances and providing general oversight of City government.

The Council consists of nine members, with each member being elected from one of nine districts within the Chattanooga city limits.

To learn more, visit:
www.Chattanooga.gov/City-Council



DARRIN LEDFORD

📍 District 4
📞 423-643-7184
✉️ dledford@chattanooga.gov



ISIAH HESTER

📍 District 5
📞 423-643-7183
✉️ ihester@chattanooga.gov



CAROL BERZ

📍 District 6
📞 423-643-7181
✉️ cberz@chattanooga.gov



RAQUETTA DOTLEY

📍 District 7
📞 423-643-7180
✉️ rdotley@chattanooga.gov



MARVENE NOEL

📍 District 8
📞 423-643-7182
✉️ mnoel@chattanooga.gov



DEMETRUS COONROD

📍 District 9
📞 423-643-7185
✉️ dcoonrod@chattanooga.gov

Meetings

Council meetings are held every Tuesday at 3:30pm. These are open to the public and take place in the City Council building at 1000 Lindsay St. Both meetings are also live streamed on YouTube. Schedules for committee meetings and other special meetings are available at chattanooga.gov/city-council.

Public Comment

Community members may make public comments for up to 3 minutes at the end of City Council meetings, with a maximum of 1 hour for all public comments.

Committees

The Council has ten committees, each of which is chaired by a council member.

- Economic Development
- Public Safety
- Parks & Public Works
- Equity & Community Development
- Affordable Housing
- Education & Innovation
- Planning & Zoning
- Budget & Finance
- Legislative
- Human Resources

What's Happening in Chattanooga



Focus on Public Safety

We hired the city's first Director of Community Safety and Gun Violence Prevention, and we began implementing our Roadmap to End Gun Violence in Chattanooga.

With these efforts and CPD's continued excellence in closing investigations into violent crimes, we're making a safer Chattanooga for everyone.



Investments in Housing

Chattanooga made important steps this year in addressing affordable housing needs.

We made a seed investment into our landmark \$100 million affordable housing initiative, recruited the city's first-ever Chief Housing Officer, and saw a 40% decrease in the number of people experiencing unsheltered homelessness in our city.



Wilcox Bridge Replacement

The City of Chattanooga received \$25 million in federal funds to replace the 70-year-old, long-deteriorating Wilcox Boulevard Bridge with a new, modern structure that will better connect residents to the Tennessee River while enhancing a core logistics corridor for the city.



Infrastructure Improvements

Sewer & Stormwater

Chattanooga is currently working hard to address the city's outdated and inadequate sewer and stormwater systems. For years, the city's aging infrastructure was frequently overwhelmed by heavy rain events, leading to sewer overflows and discharge of untreated wastewater into local waterways. These overflows posed a threat to public health and negatively impact our local waterways.

The upgrades included a 30 million gallons of wet storage capacity, the rehabilitation and replacement of aging sewer pipelines, and the implementation of new technologies and best practices to reduce stormwater runoff. The upgrades will allow Chattanooga to continue to welcome new residents while protecting the Scenic City's critical outdoor resources for future generations to enjoy.

Road Repairs

At the direction of Mayor Kelly, the City's Department of Public Works has addressed the massive backlog of potholes, with 15,000 potholes filled and 53 lane miles paved in 2023.

The city has added a third pothole repair crew and three utility inspectors to ensure that street cuts by local utilities are properly repaired. The city is also requiring local utilities to implement full-lane road patches to begin eliminating the quilt of spot patches that often lead to bumpy, uneven surfaces.



South Broad District



The South Broad Revitalization Project received final approval in 2022, kicking off the revitalization of Chattanooga's western gateway.

The South Broad Revitalization Project is expected to generate tens of millions of dollars in new money for schools, roads, and infrastructure across Chattanooga and Hamilton County, while transforming a blighted brownfield into a vast, vibrant live-work-play district.

The new development will re-energize the 140 acres formerly occupied by the old Wheland Foundry and U.S. Pipe complex, and will include:

- A new multi-use stadium to generate year-round entertainment and keep the Lookouts in Chattanooga
- \$170m in new housing
- Commercial space for small businesses
- New public green spaces and trails

"After years of studies and non-starters, the City, the County, and the State are coming together with the ownership group and a world-renowned master developer to transform this site into a vibrant new community where economic opportunity and quality of life come together."

- Mayor Tim Kelly



Lookouts Stadium

The South Broad district will be anchored by a new multi-use stadium.

Why a new stadium? The Chattanooga Lookouts' current home at AT&T Field no longer meets Major League Baseball's standards. It faces into the sun and was found by MLB to have more than 140 different compliance deficiencies that would have caused the league to pull the franchise had we not acted. The loss of the Lookouts would not only have terminated one of baseball's historic franchises, but would also have resulted in the loss of \$30m in annual economic impact for our community.

When not in use by the Lookouts, the stadium will serve as another community space for residents to enjoy concerts, fundraising drives, and other local events.

The project is being funded in part through an economic development tool called tax increment financing (TIF), which leverages the growth in tax collections resulting from new development to help fund public projects.

In other words, the stadium will be funded by the increase in property taxes generated by the new surrounding development, in addition to rent from the Lookouts and sales tax revenue from the stadium.

Property tax revenue allocated to Hamilton County Schools will still go to schools. As a result, this project is expected to generate an additional \$186m for our schools.



Learn more about the South Broad district at:

www.SouthBroad.info

Comparative Data - Six Largest Cities in Tennessee

Demographic & Financial Data	#1 Nashville	#2 Memphis	#3 Knoxville	#4 Chattanooga	#5 Clarksville	#6 Murfreesboro
Population ^a	708,144	621,050	195,871	184,086	176,977	162,402
Area (Square Miles) ^b	476	295	99	142	100	63
Median Household Income ^b	\$72,473	\$50,622	\$52,826	\$64,340	\$63,723	\$70,160
% Below Poverty Line ^b	14.0%	21.5%	17.5%	15.3%	12.8%	11.6%
Public Safety Spending	\$575m	\$527m	\$120m	\$148m	\$65m	\$61m
Public Safety Spending - per capita	\$811	\$848	\$614	\$804	\$366	\$373
Bond Rating (S&P) ^d	AA+	AA	AAA	AAA	AA+ ³	AA+
Gov't Assets	\$9.4b	\$4b	\$1.4b	\$2.4b	\$0.8b	\$1.7b
Gov't Liabilities	\$10.2b	\$4.2b	\$0.7b	\$0.9b	\$0.3b	\$1b
Net Position	\$-0.8b	\$-0.2b	\$0.7b	\$1.6b	\$0.5b	\$0.7b
Asset to Liability Ratio	0.92	0.96	2.08	2.79	2.68	1.71
Gov't Debt ^d	\$3,855m	\$1,863m	\$118m	\$137m	\$114m	\$351m
Total Debt ^d	\$5,272m	\$2,857m	\$190m	\$677m	\$563m	\$416m
Gov't Debt Per Capita ^d	\$5,443	\$3,000	\$604	\$742	\$643	\$2,160
Total Debt Per Capita ^d	\$7,445	\$4,600	\$971	\$3,678	\$3,180	\$2,564
Property Tax Rate - City ^d	0.33% ¹	2.70%	2.16%	2.25%	1.23%	1.29%
Property Tax Rate - City & County ^d	3.25% ¹	6.09%	4.28%	4.49%	4.22%	3.51%
Total Property Tax Levy - City ^d	\$143m	\$377m	\$164m	\$180m	\$46m	\$66m
Property Tax Levy Per Capita - City ^d	n/a ²	\$607	\$840	\$976	\$257	\$404

Sources:

^a data.census.gov

^b censusreporter.org

^c TN Dept of Labor

^d Each city's ACFR - previous year used if the current year was not available

Notes:

¹ Nashville-Davidson is divided between a "General Services District" and "Urban Services District." Property owners in the USD pay additional property taxes in exchange for additional services, like trash pickup. The "City" rate shown here is the Urban Services District.

² Population estimates are not available for the Nashville Urban Services District, so we are unable to calculate an appropriate number for comparison.

³ S&P rating unavailable for Clarksville. Bond rating from Fitch Ratings is shown.



Comparative Data

How does Chattanooga measure up to other Tennessee cities?

Comparing our financial indicators to Tennessee's major cities (Nashville and Memphis) and our fellow mid-sized cities (Knoxville, Clarksville, and Murfreesboro) is one of the best ways to judge our performance.

It's important to note that these cities aren't all responsible for the same services. Murfreesboro manages its own school system, which Chattanooga, Knoxville, Clarksville and Memphis rely on their County Governments for. Metro Nashville is a consolidated City-County government, meaning it is responsible for schools and every other service that a County would usually be responsible for.

Bond Ratings

Bond Ratings are an estimation of a City's ability to repay its debts, which are assigned by national ratings agencies like Moody's, Standard & Poor's, and Fitch. Chattanooga's high ratings mean we're a safe investment for creditors, so we are able to borrow money at very low interest rates for infrastructure projects. Examining Chattanooga and Knoxville's ratio of its assets to liabilities is a easy indication of why creditors view us as one of the safest investments in Tennessee.

Debt

Our total debt can be separated by Governmental & Business activities (explained on pg 14-15). These metrics provide an indication of how much debt we hold relative to other cities. The data also shows how much of that debt is held by Governmental funds as opposed to Business-type funds. Chattanooga and Clarksville's public utilities (EPB and CDE Lightband, respectively) issue revenue bonds, which results in a large gap between our Governmental and Total Debt.

Property Taxes

Our tax structure is most similar to Knoxville's, while Clarksville and Murfreesboro rely on their county governments to provide more services. Nashville's rates are lower, partially due to their property values being dramatically higher than other cities. Property tax calculations are explained in more detail on pg 18.

How does the City track & report financial activities?

Government financial statements are similar to those for private businesses, however there are a few fundamental differences.

01

Net Position

The Statement of Net Position compares our assets to our liabilities to give a snapshot of Chattanooga's overall financial health & ability to repay our debts.

02

Statement of Activities

Governments exist to serve their residents, not to turn a profit. Instead of an Income Statement, we publish a Statement of Activities which details revenues and expenses and how those affect our Net Position.

03

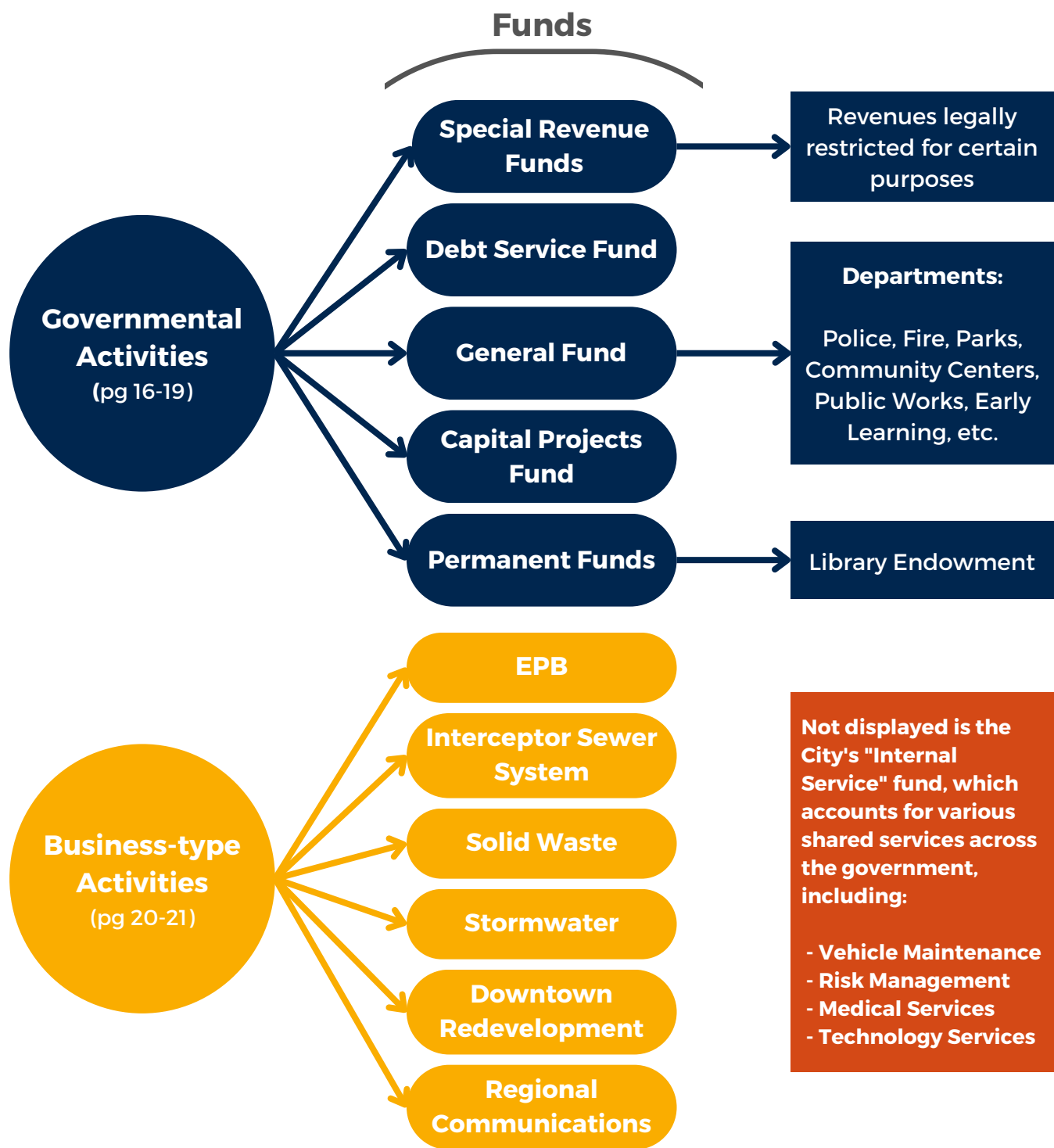
Separating Business-like Entities

Entities funded by user fees, like EPB, are fundamentally different from the City's Fire or Police departments, which are funded by tax dollars, so they are reported separately.

04

Fund Accounting

Every financial transaction is recorded in a specific "Fund." Most of the City's operations fall under the General Fund, but things like infrastructure projects and debt service have separate funds.



Not listed are the City's **"Component Units"** which the City doesn't have direct oversight over and therefore are reported separately in the financial statements. These include **CARTA**, the **Chattanooga Airport**, and the **Downtown Chattanooga Alliance** (a.k.a. the Business Improvement District).

Governmental Activities

This section covers core city departments like Public Works and Police, along with the means by which they're funded.

Below is our **Net Position**, which compares the City's assets to its liabilities to assess our ability to repay our debts.

Over **57%** of our total assets are land and other assets that don't depreciate. Depreciating assets, like **buildings and vehicles**, account for another **15%**. Cash and investments make up another 15%. Receivables, revenue which is earned but hasn't come in the door yet, account for 11% of our total assets.

The vast majority of our liabilities are long-term (those not payable within the next year). They includes **employee pensions (63%)** and **general obligation serial bonds (18%)**, which are issued for major infrastructure projects and repaid over a long period of time.



Net Position - Governmental Activities

Amounts expressed in thousands

	2023	2022	2021	2020	2019
+ Assets	\$ 2,287,047	\$ 2,219,814	\$ 2,011,830	\$ 1,924,262	\$ 1,880,237
+ Deferred Outflows*	\$ 155,158	\$ 32,038	\$ 116,223	\$ 104,673	\$ 110,101
- Liabilities	\$ 644,144	\$ 589,836	\$ 660,841	\$ 639,460	\$ 619,984
- Deferred Inflows**	\$ 229,678	\$ 196,181	\$ 165,302	\$ 149,129	\$ 146,330
Net Position	\$1,568,383	\$1,465,835	\$ 1,301,910	\$ 1,240,346	\$1,224,024

*Expenses paid for a future period

**Income received for a future period

Governmental Revenues & Expenses

Governments exist to serve their residents, not turn a profit. Instead of an Income Statement, we publish a Statement of Activities, which details revenues and expenses and how those affect our Net Position.

Department	Expenses	Grants & Fees	Net
General Government	\$ 95,191,494	\$ 28,090,087	\$ (67,101,407)
Economic & Community Dev.	\$ 28,646,538	\$ 10,370,677	\$ (18,275,861)
Public Safety	\$ 136,355,857	\$ 3,767,365	\$ (132,588,492)
Public Works	\$ 61,924,488	\$ 45,849,158	\$ (16,075,330)
Parks & Outdoors	\$ 19,402,649	\$ 5,254,362	\$ (14,148,287)
Early Learning	\$ 19,723,689	\$ 16,053,417	\$ (3,670,272)
Interest on Debt	\$ 2,919,734		\$ (2,919,734)
Total Activities	\$ 364,164,449	\$ 109,385,066	\$ (254,779,383)

Property Taxes	\$ 193,741,398
Sales Taxes	\$ 109,626,681
Other Revenues*	\$ 53,960,076

Total General Revenues \$ 357,328,155

Total Change in Net Position \$ 102,548,772

*Includes hotel/motel taxes, liquor taxes, franchise taxes, and others

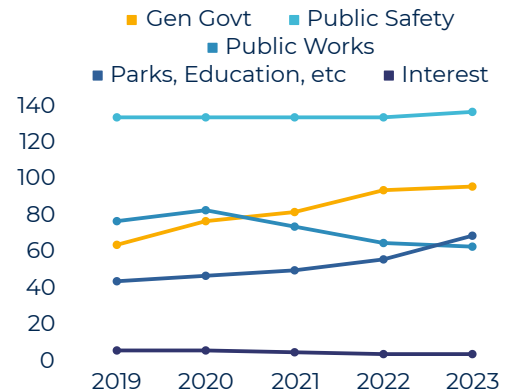
Yearly Change in Net Position

2019	2020	2021	2022	2023
\$56.6m	\$16.3m	\$64.3m	\$163.9m	\$102.5m



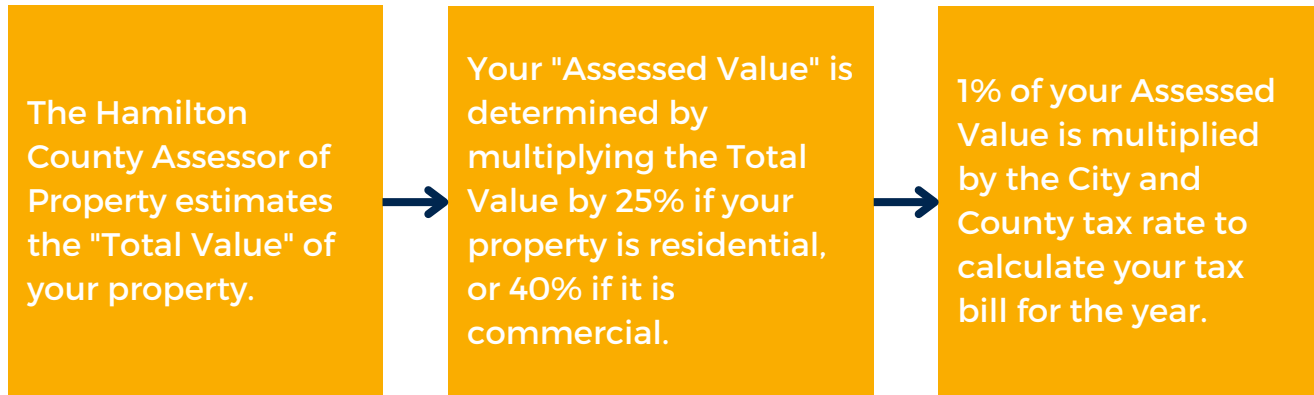
Governmental Expenses Over Time

Department	2019	2020	2021	2022	2023
General Government	\$63m	\$76m	\$81m	\$93m	\$95m
Public Safety	\$133m	\$133m	\$133m	\$133m	\$136m
Public Works	\$76m	\$82m	\$73m	\$64m	\$62m
Parks, Education, & Community Dev.	\$43m	\$46m	\$49m	\$55m	\$68m
Interest on Debt	\$5m	\$5m	\$4m	\$3m	\$3m
Total Activities	\$321m	\$341m	\$340m	\$349m	\$364m



Property Tax Breakdown

Property taxes are the largest source of revenue for Governmental Activities. Every year, the City and County governments agree on property tax rates, which are levied on every residential and commercial property. While the rate is consistent on all properties, Residential and commercial properties are valued differently. Hamilton County's tax rate is \$2.2373 while Chattanooga's is \$2.2500, for a combined rate of \$4.4873.



Small Office in Brainerd

1. The Assessor's office judges the total value to be \$500k
2. The total value is multiplied by 40% to calculate the "assessed value"
 - a. $\$500k \times 40\% = \$200k$
3. The City's property tax rate is multiplied by 1% of the property's assessed value
 - a. $\$200k \times 1\% = \$2,000$
 - b. $\$2,000 \times \$4.4873 = \$8,974.60$

Annual tax bill: \$8,974.60



Home in St. Elmo

1. The Assessor's office judges the total value to be \$240k
2. The total value is multiplied by 25% to calculate the "assessed value"
 - a. $\$240k \times 25\% = \$60k$
3. The City's property tax rate is multiplied by 1% of the property's assessed value
 - a. $\$60k \times 1\% = \600
 - b. $\$600 \times \$4.4873 = \$2,692.38$

Annual tax bill: \$2,692.38

Understanding our Liabilities



Our Net Position shows \$574m in long-term liabilities. Understanding that number is key to assessing the financial health of our City.

- Pensions & OPEB - \$408m
- Serial Bonds - \$113m
- Other Liabilities - \$53m



Pensions & OPEB

Pensions and Other Post-Employment Benefits represent benefits that City employees earned while working for the city that have not been paid out.

For example, a Chattanooga Firefighter earns **25% of their salary** in pension benefits **after ten years** with the City, but the City doesn't pay that expense until the employee retires, which could be decades in the future. To account for this, we record those unpaid expenses as liabilities to show that we will have to pay them in the future.

To ensure that we're always able to pay those benefits, the City maintains an **OPEB & Pension Trust Fund** for the sole purpose of securing retirement benefits for our employees. **This fund has a balance of \$751m** as of the end of FY23.

More information can be found on pages B-1 - B-19 of the City's ACFR.



Serial Bonds

To finance large infrastructure projects like road expansions and building construction, the City sells "General Obligation Serial Bonds" which are backed by the full faith and credit of the city. These bonds are paid off over a long period of time, usually 10-15 years.

Tennessee state law limits the total General Obligation debt of a city to 10% of the city's assessed property value. Our current outstanding debt is less than 2% of our assessed property value.

Chattanooga is able to borrow money at lower interest rates than most cities because we maintain a **AAA Bond Rating** from Fitch and Standard & Poor's.

More information can be found on page E-6 of the City's ACFR.

Business Activities

This section covers the City's "Enterprise Funds" which are reported separately because they primarily rely on service charges to fund their operations, not tax revenue.

Below is our **Net Position** for Business Activities, which compares the City's assets and liabilities to assess our ability to repay our debts.

Depreciating assets, like buildings and vehicles, make up 52% of total assets for business activities. Another **12% of those assets are land** and other assets that don't depreciate. **Cash and investments account for another 26%**. Receivables, revenue which is earned but hasn't come in the door yet, makes up 4%.

Roughly **41% of the total liabilities are revenue bonds** for EPB and Downtown Redevelopment and **23% are notes payable** for the Interceptor Sewer System.



Net Position - Business-type Activities

Amounts expressed in thousands

	2023	2022	2021	2020	2019
+ Assets	\$ 2,123,277	\$ 2,069,327	\$ 1,935,608	\$ 1,761,988	\$ 1,681,253
+ Deferred Outflows*	\$ 39,198	\$ 29,475	\$ 45,862	\$ 26,895	\$ 23,386
- Liabilities	\$ 801,576	\$ 824,306	\$ 846,908	\$ 771,909	\$ 739,768
- Deferred Inflows**	\$ 8,146	\$ 24,070	\$ 11,335	\$ -	\$ -
Net Position	\$ 1,352,753	\$ 1,250,426	\$ 1,123,227	\$ 1,016,974	\$ 964,871

*Expenses paid for a future period

**Income received for a future period

Business Revenues & Expenses

	Expenses	Revenues	Net
Electric Power Board (EPB)	\$ 782,778,000	\$ 808,499,000	\$ 25,721,000
Interceptor Sewer System	\$ 69,174,190	\$ 116,944,844	\$ 47,770,654
Solid Waste	\$ 6,034,886	\$ 5,488,599	\$ (546,287)
Stormwater	\$ 17,161,571	\$ 35,689,943	\$ 18,528,372
Regional Communications	\$ 2,047,397	\$ 1,938,181	\$ (109,216)
Downtown Redevelopment	\$ 1,726,498	\$ 4,348,888	\$ 2,622,390
Total Activities	\$ 878,922,542	\$ 972,909,455	\$ 93,986,913
		Interest Income	\$ 8,340,171
		Total Change in Net Position	\$ 102,327,084

EPB

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 residents and businesses in Chattanooga and surrounding areas. EPB is managed by a board appointed by the Chattanooga Mayor and City Council.

Sewer

Chattanooga's Interceptor Sewer System provides wastewater services to Chattanooga, most of Hamilton County, and parts of North Georgia.

Solid Waste

The City operates a solid waste landfill as a business fund, which primarily serves the City government, but is available for household use by residents and some other uses.

Stormwater

The Stormwater Program manages Chattanooga's stormwater, natural water bodies, and green infrastructure.

Regional Communications

The Tennessee Valley Regional Communication System Fund was established in the 2016 fiscal year to account for a regional communication system that services our multi-county region.

Downtown Redevelopment

The Chattanooga Downtown Redevelopment Corporation (CDRC) accounts for redevelopment financing, multiple parking facilities, and other activities.



Grants Management

Chattanooga routinely pursues grant funding for important programs and infrastructure projects.



Competitive Grants Funding Applied for:
\$94,000,000



New Grant Funding Received:
\$48,700,000



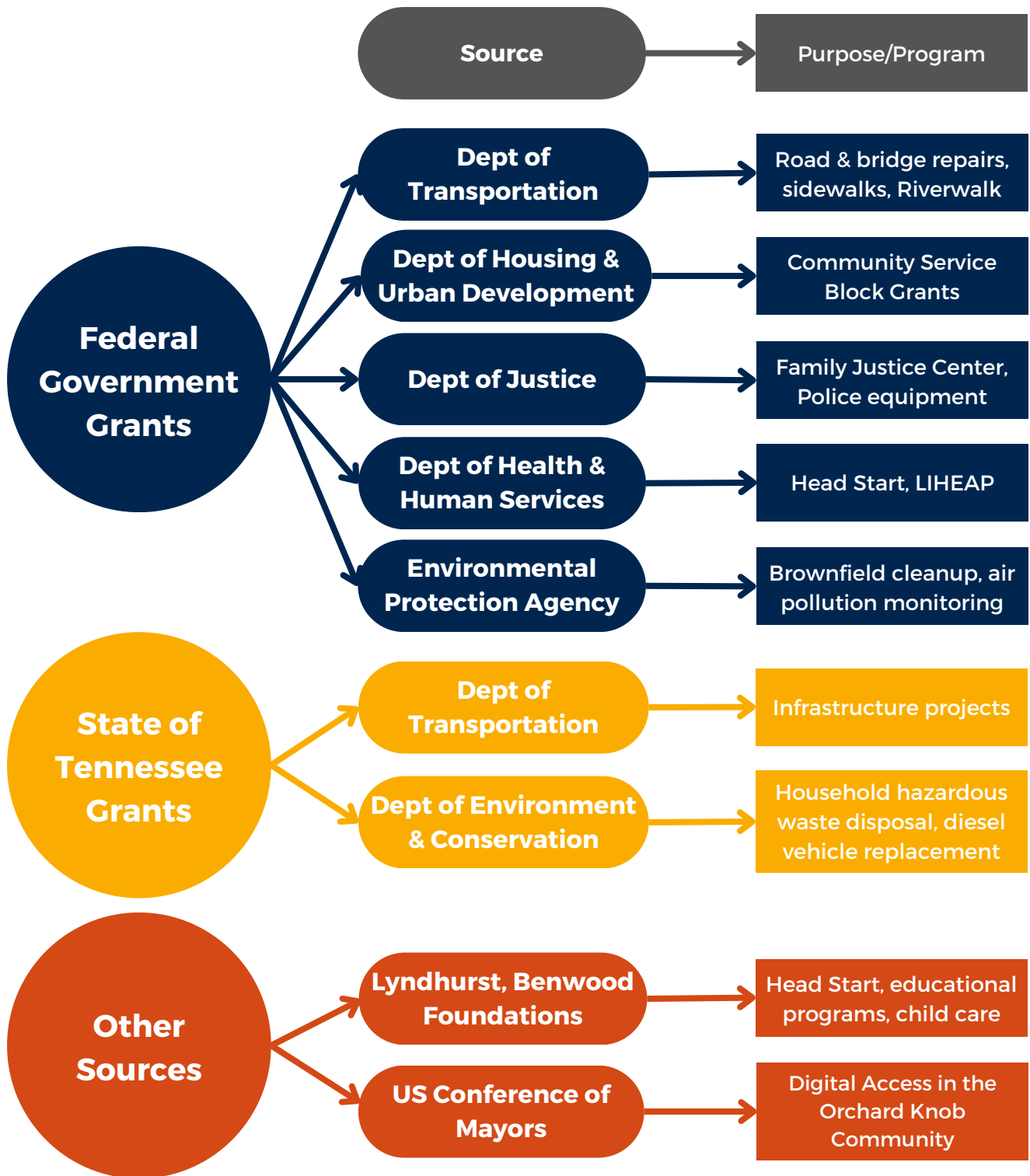
Total Grants Funds Managed:
\$222,560,000

Grants are funding opportunities awarded to support a specific project or program and require some level of compliance from the City. Securing grants from the Federal and State governments, in addition to private grantors, ensures that **your tax dollars are used to benefit your community.**

Grants largely fund programs like **Head Start** and the **Low-Income Home Energy Assistance Program (LIHEAP)**, as well as infrastructure projects like **road repairs** and expansion of the **Riverwalk.**

The Office of Grants & Opportunities ensures we're strategically pursuing available opportunities, as well as meeting compliance requirements.

The Grants office also manages \$38,600,000 in **American Rescue Plan Act (ARPA)** funds to support the response to and recovery from the COVID-19 pandemic. This includes working with 50 local organizations, as well as internal City projects to create once-in-a-generation change in our community,



This chart is not all-inclusive. Please refer to the Schedule of Expenditures for Federal and State Awards in the ACFR (Pages G-1 through G-6) for a more inclusive list.

Developing the Budget

Chattanooga's budget is a carefully constructed document laying out planned revenues and expenditures for the coming year. It is legally required to be approved by both the Mayor and City Council.

The Fiscal Year 2024 budget is the second year for full implementation of Priority Based Budgeting process under Mayor Tim Kelly, which you can learn about in the City's Comprehensive Annual Budget Report (CABR) on page 57.

The budget reflects this broad vision that guides the work of all city departments and provides the resources necessary to accomplish their goals.



Budget Timeline

- Jan** — Budget Department begins prep work & assisting departments
- Feb** — Departments, Agencies, and nonprofits submit budget requests
Requests are reviewed and discussed internally
- Mar** — Review, discussion, and modification of budget requests
Preliminary budget review with Mayor & Executive Staff
- Apr** — Citizen input sessions
Recommended Operations Budget prepared for Council
- May** — Mayor & Executive Staff review final budget & present to City Council
- Jun** — City Council approves the budget after two readings
- Jul** — Budget is filed with TN Comptroller's Office

See page 61 of the City's CABR for a more detailed budget calendar



Strategic Framework

The One Chattanooga Plan outlines a bold vision of a city that includes everyone in its prosperity. The values, strategic initiatives, and goals in the plan provide direction and purpose, helping to prioritize action and allocate resources effectively.

- Building a universal path to Early Learning
- Catalyzing Economic Vitality in the black community
- Ensuring Affordable Housing choices for all Chattanoogaans
- Improving local Infrastructure & Public Transit
- Building a Competitive Regional Economy
- Closing the gaps in Public Health
- Providing Responsive and Effective local government



What's in the Budget?

Our annual operating budget totaled \$339m in Fiscal Year 2024, detailing funds allocated to dozens of Departments and Agencies across Chattanooga.



- Public Works - \$42m
- Parks, Early Learning, & Community Dev. - \$30m
- Debt Service - \$20m
- Finance, HR, & Executive - \$17m
- Police & Fire - \$150m
- Other Departments & Agencies - \$80m

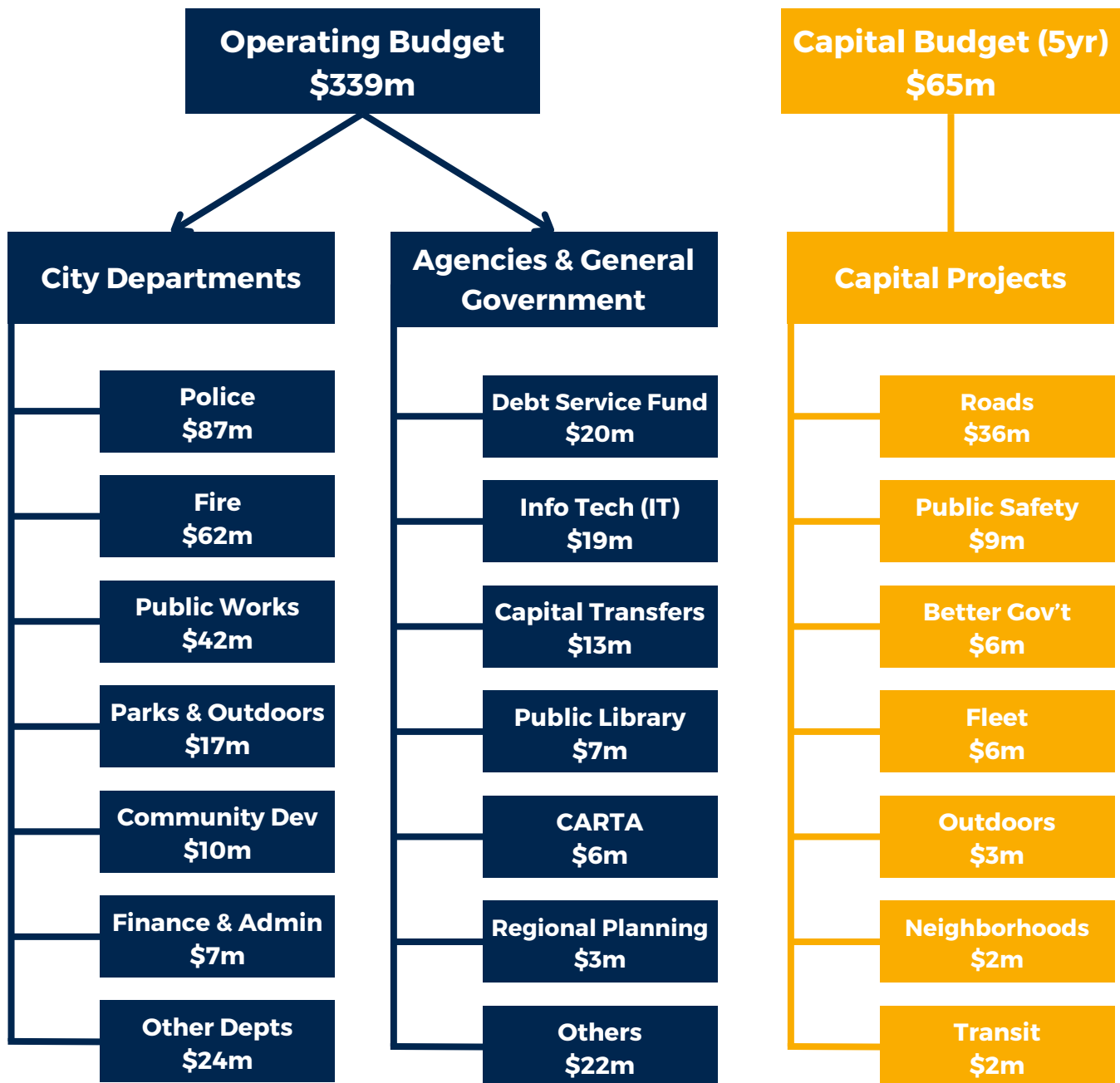


Explore the full operating budget at:
budget.chattanooga.gov



What does the City budget money towards?

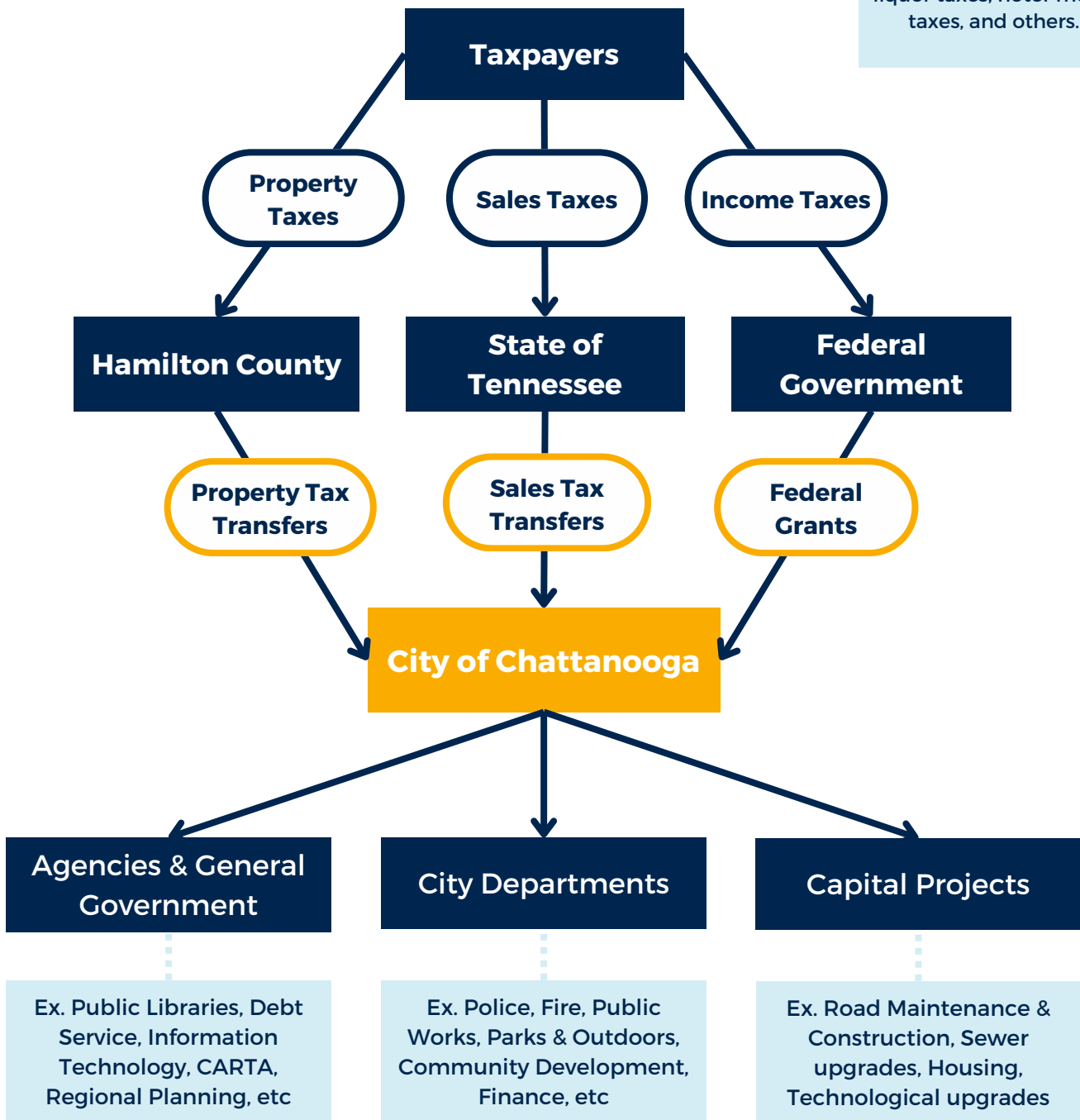
from Chattanooga's FY24 Budget





Where does Chattanooga's funding come from?

This chart excludes many of the city's smaller revenue sources, such as charges for services, liquor taxes, hotel-motel taxes, and others.





Accountability

The City's Finance Department interacts extensively with internal and external auditors in City Government, which have very different roles.

Our external auditors focus on "financial" audits, whereas Internal Audit devotes more time to "operational" audits. In other words, external auditors focus on ensuring the accuracy of our financial statements whereas Internal Audit ensures that departments are efficient, effective, and ethical with the use of taxpayer resources. In addition to conducting audits, Internal Audit also conducts fraud investigations and other special projects throughout the year.

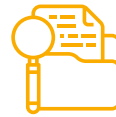


Internal Auditors

The City of Chattanooga's Office of Internal Audit is an independent body that reviews the City's finances as well as its operational functions.

Every year, several departments undergo an in-depth audit of various work processes. The auditors will analyze their compliance with laws, regulations, and City policies and make suggestions on how to improve performance.

Internal Audit reviews the City's financial data every year and delivers an analysis of our financial position to the Mayor and City Council.



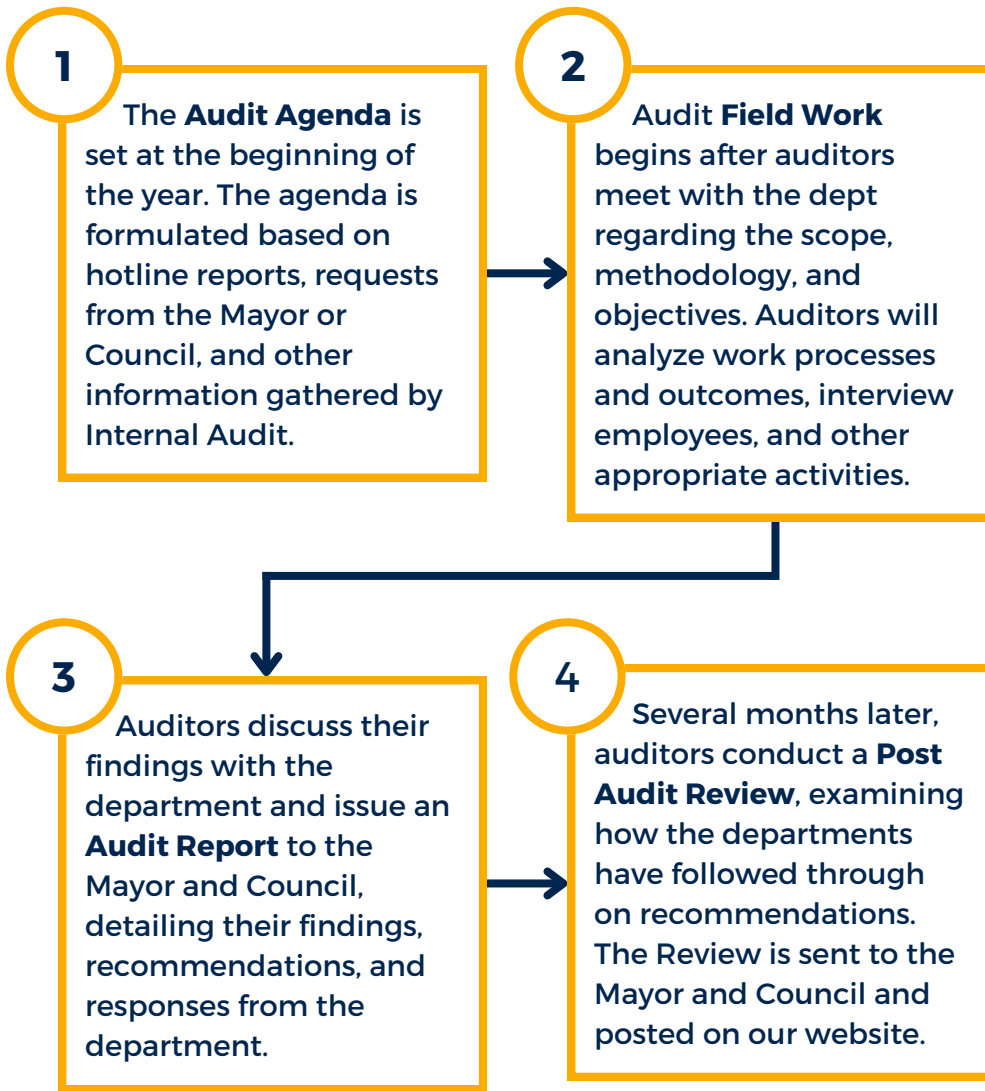
External Auditors

Chattanooga is mandated by state and federal law to undergo a rigorous audit of our Annual Comprehensive Financial Report (ACFR) every year.

The external auditor issues an "unmodified opinion" on the ACFR, which indicates that our financial statements are presented fairly and free from material errors.

Since 2011, this has been carried out by Henderson, Hutcherson, & McCullough, PLLC.

Internal Audit Process



Who holds Internal Audit accountable?

The City Auditor is appointed by and reports to the "Audit Committee," which consists of five local audit professionals, who are appointed by the Tennessee Society of CPAs, the Institute of Internal Auditors, and the Association of Certified Fraud Examiners. Independence from the Mayor and City Council helps ensure that the City Auditor remains objective.

Internal Audit is also "peer reviewed" by auditors from other local governments to ensure compliance with audit standards. Our last peer review was conducted by the Audit Manager for Chesterfield County, VA and the Inspector General for the South Florida Water Management District. The Office of Internal Audit has never failed a peer review nor had any deficiencies noted.



2023 ONE CHATTANOOGA FINANCIAL GUIDE

This report was created by the Chattanooga Department of Finance & Administration.

You can view other financial reports by visiting the City's website:

www.chattanooga.gov/finance/financedivision

City of Chattanooga
Department of Finance & Administration
101 E 11th St
Chattanooga, TN 37402

www.Chattanooga.gov 

accounting@chattanooga.gov 

(423) 643-7360 