

**PART II**

**YEARLY INFORMATION STATEMENT**

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## **THE METROPOLITAN GOVERNMENT**

### **Organization**

On June 28, 1962, the voters of Nashville and Davidson County approved the Charter of the Metropolitan Government. The Tennessee Supreme Court upheld the validity of the Charter in October 1962. On April 1, 1963 the governments of the City of Nashville and of Davidson County were consolidated to form "The Metropolitan Government of Nashville and Davidson County," under which the boundaries of Nashville and Davidson County are co-extensive.

The executive and administrative powers are vested in the Metropolitan Mayor (the "Mayor"), who is elected at-large for a four-year term. The Mayor is authorized to administer, supervise and control all departments and to appoint all members of boards and commissions created by the Metropolitan Charter or by ordinance enacted pursuant to the Metropolitan Charter unless otherwise excepted. A two-thirds vote of the Metropolitan Council is required to override the Mayor's veto. The Charter also provides for a Vice Mayor, who is elected at large for a four-year term and is the presiding officer of the Metropolitan Council. The Metropolitan Council is the legislative body of the Metropolitan Government and is composed of 40 members who are elected for four-year terms: 35 are elected from council districts and five are elected at large.

The Charter provides a framework for local government in Nashville to serve the needs of two service districts: (i) the General Services District ("GSD") and (ii) the Urban Services District ("USD"). The GSD embraces the entire area of Davidson County and is taxed to support those services, functions and debt obligations, which are deemed properly chargeable to the whole population. Such services include general administration, police, fire protection, courts, jails, health, welfare, hospitals, streets and roads, traffic, schools, parks and recreation, auditoriums, public housing, urban renewal, planning and public libraries. The original USD conformed to the corporate limits of the City of Nashville as they existed on April 1, 1963, the date of consolidation. The residents of the USD are charged an additional tax to support those services, functions and debt obligations, which benefit only the USD. Such services include additional police and fire protection, storm sewers, street lighting and refuse collection. The Charter provides: "The area of the Urban Services District may be expanded and its territorial limits extended by annexation whenever particular areas of the General Services District come to need urban services, and the Metropolitan Government becomes able to provide such services within a reasonable period which shall be not greater than one year after ad valorem taxes in the annexed area become due." Since April 1, 1963, the area of the USD has been expanded from 27 square miles to 170 square miles.

### **Fiscal Year**

The Metropolitan Government operates on a fiscal year, which commences July 1 and ends June 30.

### **Budgeting Procedures**

Operating Budget. The Charter requires the Director of Finance to obtain information necessary to compile the annual operating budget of the Metropolitan Government from all officers, departments, boards, commissions and other agencies for which appropriations are made by the Metropolitan Government or which collect revenues for the Metropolitan Government.

The Mayor reviews the operating budget submitted by the Director of Finance, and may make such revisions in the budget deemed necessary or desirable before it is submitted to the Metropolitan Council for consideration. In no event can the total appropriations from any fund exceed the total anticipated revenues plus the estimated unappropriated fund balance and applicable reserves. After the Metropolitan Council has passed the budget ordinance on first reading, it will hold public hearings. After the conclusion of the public hearings, the Metropolitan Council may amend the operating budget prepared by the Mayor. The budget as finally amended and adopted, however, must provide for all expenditures required by law or by provisions of the Charter and for all debt service requirements for the ensuing fiscal year as certified by the Director of Finance.

The Charter requires that following the adoption of the Metropolitan Government's annual operating budget, an annual tax is to be levied on all taxable property within the GSD and an additional annual tax on all taxable property within the USD. These annual taxes must be at rates sufficient to finance the GSD and USD budgets adopted for their respective service districts.

**Capital Improvements Budget.** As provided by the Charter, the capital improvements budget and program for the Metropolitan Government is prepared annually to "include a program of proposed capital expenditures for the ensuing fiscal year and the five fiscal years thereafter..." The Mayor submits the capital improvements budget, based on information from all officers, departments, boards, commissions and other agencies requesting funds from the Metropolitan Government for capital improvements, to the Metropolitan Council and recommends those projects to be undertaken during the ensuing fiscal year and the method of financing them. The Mayor's recommendation notes the impact of proposed projects on the debt structure of the Metropolitan Government and includes in the appropriate current operating budget any projects to be financed from current revenues for the ensuing fiscal year.

The Metropolitan Council has the power to accept, with or without amendment, or reject, the proposed program and proposed means of financing. The Metropolitan Council cannot authorize an expenditure for the construction of any building, structure, work or improvement, unless the appropriation for such project is included in its capital improvements budget, except to meet a public emergency threatening the lives, health or property of the inhabitants, when passed by two-thirds vote of the membership of the Metropolitan Council.

The following information identifies capital projects in the 2006-2007 Capital Improvements Budget, which are given priority for funding by the Mayor and the Metropolitan Council for fiscal year 2006-2007 and the following five fiscal years.

### CAPITAL IMPROVEMENTS BUDGET BY DEPARTMENT

Departments	% of '06-'07		2007-08	2008-09	2009-10	2010-11	2011-12	% of '07-'12	
	2006-07	Total						Total	Total
Bordeaux Hospital	\$ 827,000	0.058%	\$ 227,200	\$ 1,054,000	\$ 433,000	\$ -	\$ -	\$ 2,541,200	0.064%
Downtown Partnership	114,000	0.008%	-	-	-	-	-	114,000	0.003%
Convention Center	2,176,325	0.153%	610,800	471,900	1,105,000	560,000	570,000	5,494,025	0.137%
District Energy System	5,838,470	0.411%	7,735,000	5,690,000	5,385,000	5,160,000	3,000,000	32,808,470	0.821%
Emergency Communication	3,675,000	0.259%	250,000	-	-	-	-	3,925,000	0.098%
Election Commission	2,414,000	0.170%	619,700	-	-	-	-	3,033,700	0.076%
Farmer's Market	1,652,700	0.116%	-	407,000	33,000	18,000	-	2,110,700	0.053%
Finance	185,728,270	13.070%	82,337,200	33,896,153	26,780,400	11,461,315	500,000	340,703,338	8.523%
Fire Department	837,000	0.059%	7,950,000	8,990,000	7,250,000	5,750,000	1,720,000	32,497,000	0.813%
General Hospital	545,000	0.038%	6,962,809	696,000	100,000	-	-	8,303,809	0.208%
General Services	33,971,260	2.391%	2,475,000	275,000	100,000	1,100,000	-	37,921,260	0.949%
General Sessions Court	600,000	0.042%	-	-	-	-	-	600,000	0.015%
Health	17,966,920	1.264%	6,060,785	-	-	-	-	24,027,705	0.601%
Historical Commission	3,075,000	0.216%	-	-	-	-	-	3,075,000	0.077%
Information Technology Svcs	12,712,900	0.895%	6,650,000	1,500,000	-	-	-	20,862,900	0.522%
Justice Integration Services	1,500,000	0.106%	1,200,000	1,200,000	1,200,000	-	-	5,100,000	0.128%
Juvenile Court	386,000	0.027%	-	-	-	-	-	386,000	0.010%
Juvenile Court Clerk	200,000	0.014%	-	-	-	-	-	200,000	0.005%
Law	165,000	0.012%	-	-	-	-	-	165,000	0.004%
Mayor's Office - OEM	183,000	0.013%	-	-	-	-	-	183,000	0.005%
MDHA	165,450,000	11.643%	119,700,000	107,400,000	65,000,000	65,000,000	-	522,550,000	13.072%
Metro Action Commission	24,264,200	1.707%	100,000	5,797,000	8,329,000	100,000	100,000	38,690,200	0.968%
Schools (MNPS)	67,465,000	4.748%	77,731,000	77,480,000	57,280,000	40,808,000	44,737,000	365,501,000	9.143%
MTA	38,223,900	2.690%	12,079,800	4,131,000	3,366,000	-	-	57,800,700	1.446%
Municipal Auditorium	1,675,800	0.118%	550,000	425,000	284,000	500,000	-	3,434,800	0.086%
Nashville Electric Service	70,012,000	4.927%	70,000,000	71,000,000	70,000,000	-	-	281,012,000	7.030%
Parks & Rec Dept	59,682,782	4.200%	34,481,649	29,229,549	18,126,303	18,436,303	17,826,303	177,782,889	4.447%
Planning	2,550,000	0.179%	-	-	-	-	-	2,550,000	0.064%
Police	19,931,100	1.403%	15,155,075	7,796,000	-	-	-	42,882,175	1.073%
Public Library	7,284,100	0.513%	17,101,500	6,545,400	7,097,900	5,694,300	4,732,366	48,455,566	1.212%
Public Works	540,857,681	38.060%	185,876,000	223,147,000	164,154,000	149,115,300	157,956,300	1,421,106,281	35.550%
Sheriff	10,629,000	0.748%	-	-	-	-	-	10,629,000	0.266%
Social Services	100,000	0.007%	-	-	-	-	-	100,000	0.003%
Sports Authority	19,887,450	1.399%	2,607,000	20,286,000	4,615,000	431,000	-	47,826,450	1.196%
State Fair Board	1,925,000	0.135%	-	-	-	-	-	1,925,000	0.048%
State Trial Courts	536,000	0.038%	-	-	-	-	-	536,000	0.013%
Water & Sewer	116,013,600	8.164%	100,436,000	81,781,100	77,637,000	74,748,000	-	450,615,700	11.273%
<b>Totals</b>	<b>\$1,421,055,458</b>	<b>100.000%</b>	<b>\$ 758,896,518</b>	<b>\$ 689,198,102</b>	<b>\$ 518,275,603</b>	<b>\$ 378,882,218</b>	<b>\$ 231,141,969</b>	<b>\$3,997,449,868</b>	<b>100.000%</b>

## Accounting

Pursuant to the Charter, independent auditors annually audit the financial statements of the Metropolitan Government. The Basic Financial Statements and other financial information, which are presented in the Comprehensive Annual Financial Report (CAFR), are prepared in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and with those standards and procedures recommended by the State Comptroller of the Treasury. Copies of the CAFR are available on the Metropolitan Government's web site at [http://www.nashville.gov/finance/investor\\_relations.asp](http://www.nashville.gov/finance/investor_relations.asp).

The Metropolitan Government manages its financial reporting through the use of categories of fund types and account groups.

The Government reports the following major governmental funds:

The **General Fund** is the Government's primary operating fund which is used to account for all financial resources of the general operations of the Government, except those required to be accounted for in another fund.

The **General Purpose School Fund** is used to account for the receipt and disbursement of federal, state and local funds for education purposes, except those required to be accounted for in another fund.

The **GSD General Purposes Debt Service Fund** is used to account for the accumulation of resources and the payment of principal and interest for the General Services District general obligation debt.

The **GSD School Purposes Debt Service Fund** is used to account for the accumulation of resources and the payment of principal and interest for the debt of schools.

The **USD General Purposes Debt Service Fund** is used to account for the accumulation of resources and the payment of principal and interest for the Urban Services District general obligation debt.

The **GSD Capital Projects Fund** is used to account for the use of bond proceeds for the construction and equipping of various public projects in the General Services District.

The Government reports the following major proprietary funds:

The **Department of Water and Sewerage Services** provides services to customers on a self-supporting basis utilizing a rate structure designed to produce revenues sufficient to fund debt service requirements, operating expenses and adequate working capital.

The **District Energy System** began operation in 2004 and provides heating and cooling services to the Government and downtown businesses. The System is managed by a third party and is self-supporting by utilizing a rate structure designed to fund debt service requirements, pay for operating expenses and generate adequate working capital.

Additionally, the Government reports the following fund types:

**Internal service funds** are used to account for the operations of self-sustaining agencies rendering services to other agencies of the Government on a cost reimbursement basis. These services include fleet management, information systems, radio maintenance, insurance, central storeroom, postal services, facilities planning and construction, treasury management, human resources, finance, and general services.

**Pension (and other employee benefit) trust funds** are used to account for assets and liabilities held by the Government in a fiduciary capacity to provide retirement and disability benefits for employees and retirees.

**Agency funds** are used to account for assets held by elected officials and other departments as agents for individuals, governmental entities and others.

## **Revenues**

The Metropolitan Government derives its revenues from a direct tax levy on real property, sales tax, fees, and State of Tennessee (the "State") and Federal payments. During the fiscal year ended June 30, 2006, Property Taxes accounted for 56.2% of all revenues available to the GSD General Fund and for GSD Debt Service; 75.3% of all revenues available to the USD General and Debt Service Funds; 39.5% of revenues available to the Schools funds, including Debt Service; and 0.31% of revenues available to the Other Governmental Funds. Sales tax collections totaled \$271.3 million in the fiscal year ended June 30, 2006. A description of each major revenue category available to both the GSD and USD follows:

**Property Taxes** – The levy is without legal limit. For a discussion of this tax, see "PROPERTY TAXES" herein.

**Sales Tax** – A local option sales tax is collected at the rate of 2-1/4% on all sales of tangible personal property and certain services, except for sales of certain energy sources and other limited exemptions. This local option sales tax is currently levied, in accordance with State law, only on the first \$1,600 of a transaction.

**Other Taxes, Licenses, and Permits** – This category includes charges for licenses and permits issued by departments, agencies, boards and commissions of the Metropolitan Government. Also included is the Hotel/Motel Tax, which is assessed against the gross receipts of hotels and motels within the Metropolitan Government based on occupancy. Currently, there is a 5% tax levied by Metropolitan Council ordinance with revenues derived from such tax distributed as follows: 2% for tourist promotion, 1% for tourist-related activities, 1% for the convention center, and 1% to the general fund. Of the 1% distributed to the general fund, \$3.2 million is transferred to debt service for Stadium debt requirements.

**Fines, Forfeits and Penalties** – This category includes collections of obligations imposed by the courts, law enforcement and agencies charged with the care of prisoners.

**Revenue from Use of Money or Property** – This category includes interest on investments, rental and commissions for use of Metropolitan Government property or rights.

**Revenue from Other Governments, Governmental Agencies and Citizens Groups** – Under this revenue category are payments to the Metropolitan Government by other public divisions (Federal, State or other governmental units or agencies) and gifts or donations received from individuals or citizens groups.

**Charges for Current Services** – These are fees and charges for activities and services provided by agencies of the Metropolitan Government.

**Revenues from Enterprise, Utility and Working Capital Funds** – These are amounts received from the above types of funds as compensation for services rendered or as contributions.

**Other Revenue** – Includes (i) commissions and fees collected by certain officials for certain activities of the Metropolitan Government; (ii) proceeds from confiscation of property; (iii) compensation for loss, sale or damage to property; and (iv) miscellaneous.

**PROPERTY TAXES**

**Rates of Tax Levy**

An annual tax is levied on all taxable property within the GSD and an additional tax is levied on all taxable property within the USD. Every four years, the Assessor’s Office – as required by Tennessee state law – conducts a reappraisal of the value of all property in Nashville and Davidson County. This process is done to periodically adjust recorded property assessments to generally reflected market values. The most recent reappraisal was completed in 2005.

State law also requires that this reappraisal be revenue neutral for the local governments. This means that as the aggregated value of property changes, the tax rate needs to change as well to ensure that the local government receives the same amount of revenue. So if the property in the Metropolitan Government collectively increases in value, the actual property tax rate needs to drop so that the revenue collected remains the same. The 2005 reappraisal showed an increase in aggregate property values, so to remain revenue neutral the certified combined GSD/USD tax rate dropped to \$3.98 from its pre-assessment level of \$4.58.

Subsequent to the 2005 reappraisal, the Metropolitan Government raised the combined GSD/USD rate to \$4.69. The FY 2007 budget anticipates continued moderate growth in property assessments. The following table is a statement of the composition of rates of tax levy for the last ten fiscal years.

<b>FY 2007 Property Tax Distribution (Rates per \$100 of Assessed Value)</b>			
<b>District</b>	<b>Fund</b>	<b>2005 Rate*</b>	<b>2007 Rate</b>
GSD (General Services District)	General	\$1.94	\$2.07
	Schools General Purpose	1.27	1.33
	General Debt Service	0.43	0.47
	Schools Debt Service	0.20	0.17
	Subtotal - GSD	\$3.84	\$4.04
USD (Urban Services District)	General	\$0.64	0.56
	General Debt Service	0.10	0.09
	Subtotal - USD	\$0.74	\$0.65
Combined USD/GSD rate		\$4.58	\$ 4.69
* Pre-reappraisal.			

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**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**  
**PROPERTY TAX RATES**  
 LAST TEN FISCAL YEARS

Fiscal Year	General Services District					Urban Services District			Total Direct Tax Rate
	Total GSD Rate	GSD General Fund <sup>(1)</sup>	General Purpose School Fund	GSD Debt Service Fund	School Debt Service Fund	Total USD Rate	USD General Fund <sup>(1)</sup>	USD Debt Service Fund	
1996-97	\$ 3.50	\$ 1.91	\$ 1.01	\$ 0.47	\$ 0.11	\$ 1.00	\$ 0.88	\$ 0.12	\$ 4.50
1997-98 <sup>(2)</sup>	3.27	1.69	0.96	0.49	0.13	0.85	0.74	0.11	4.12
1998-99 <sup>(3)</sup>	3.39	1.68	0.96	0.50	0.25	0.85	0.74	0.11	4.24
1999-00	3.39	1.68	0.96	0.50	0.25	0.85	0.74	0.11	4.24
2000-01	3.39	1.68	0.96	0.50	0.25	0.85	0.74	0.11	4.24
2001-02 <sup>(2)</sup>	3.84	1.97	1.24	0.43	0.20	0.74	0.64	0.10	4.58
2002-03 <sup>(3)</sup>	3.84	1.94	1.27	0.43	0.20	0.74	0.64	0.10	4.58
2003-04	3.84	1.94	1.27	0.43	0.20	0.74	0.64	0.10	4.58
2004-05	3.84	1.94	1.27	0.43	0.20	0.74	0.64	0.10	4.58
2005-06 <sup>(2)</sup>	4.04	2.00	1.33	0.54	0.17	0.65	0.56	0.09	4.69

On November 7, 2006, voters approved a ballot initiative prohibiting the Metropolitan Council from raising real property taxes from their current and future levels without the approval of the voters in a referendum. Prior to the adoption of the November 7 ballot proposal, the Metropolitan Council was authorized to set the real property tax rate without any requirement of voter approval. The Government's legal department has issued a memo stating that the approved initiative violates the Tennessee Constitution because it places the power to set property tax rates with voters, rather than with the Metropolitan Council, as prescribed by the Constitution. However, the Government cannot predict whether there will be a court challenge as to the constitutionality of the approved initiative. If there is a challenge, the Government cannot predict the timing or be certain of the outcome of any court challenge as to the constitutionality of the approved initiative.

- (1) A portion of the revenue of the GSD General Fund generated from the tax levy collected for the area of the USD is recorded in the USD General Fund. Referred to as the levy for fire protection service, this amount of the levy has ranged from \$.12 to \$.08 over the last ten years.
- (2) The State mandates a reappraisal valuation of property within Davidson County every four years resulting in a reduction of the combined GSD-USD tax rate. Also, the combined GSD-USD tax rate was increased by the Metropolitan Council and reallocated between the funds receiving property tax revenue. The rates above reflect the net change of the reappraisal valuation and the increase and reallocation by the Metropolitan Council.
- (3) In fiscal year 1998-99 the combined GSD-USD tax rate increased \$0.12 per \$100 of assessed value, to be applied toward school debt service. Also \$0.01 was reallocated from GSD General Fund to GSD Debt Service. In fiscal year 2002-2003, the GSD property tax rate was reallocated among the funds receiving property tax revenue.

Source: The Metropolitan Government CAFR as of June 30, 2006

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF GSD AND USD TAXABLE PROPERTY**  
 Unaudited – Includes Supplemental Assessment

Fiscal Year	GSD Total	General Services District			USD Total <sup>(1)</sup>	Urban Services District			Total Estimated Property Value <sup>(2)</sup>
		Realty	Personalty	Public Utility		Realty	Personalty	Public Utility	
1996-97	\$ 8,192,586,699	\$ 7,050,026,895	\$ 668,743,347	\$ 473,816,457	\$ 5,691,540,025	\$ 4,784,362,948	\$ 515,583,782	\$ 391,593,295	\$ 27,908,069,594
1997-98	10,647,933,789	9,360,046,370	813,501,653	474,385,766	7,303,138,660	6,280,076,965	634,766,710	388,294,985	33,706,470,792
1998-99	10,895,717,859	9,483,759,205	873,944,396	538,014,258	7,491,537,089	6,372,341,408	681,039,272	438,156,409	34,408,511,843
1999-00	11,087,336,546	9,625,554,203	954,014,066	507,768,277	7,579,090,297	6,420,180,086	747,640,155	411,270,056	38,576,009,345
2000-01	11,390,199,691	9,878,827,579	953,834,854	557,537,258	7,752,879,515	6,544,802,327	745,794,683	462,282,505	39,576,025,308
2001-02	13,373,373,440	11,649,748,674	1,059,163,097	664,461,669	9,029,225,021	7,681,717,993	794,416,879	553,090,149	42,634,022,131
2002-03	13,463,419,440	11,792,547,023	1,025,692,548	645,179,869	9,022,873,427	7,722,115,933	765,147,395	535,610,099	42,988,853,105
2003-04	13,280,463,599	11,809,121,866	917,401,480	553,940,253	8,792,189,489	7,667,951,606	680,464,904	443,772,979	45,150,830,802
2004-05	13,432,023,565	11,933,712,504	907,818,023	590,493,038	9,167,747,505	7,996,403,388	699,060,182	472,283,935	45,746,447,359
2005-06	15,533,718,736	13,962,265,146	963,153,348	608,300,242	10,513,974,701	9,293,334,373	736,566,609	484,073,719	50,477,218,642

Assessment date: January 1 (Pick-up assessments and cancellations for each year in minor amounts are not reflected in above figures).

Tax levy: General Services District tax is levied on the entire Metropolitan area. Urban Services District tax is an additional tax levied on properties within the Urban Services District. Personalty and public utility taxes are levied on September 1st of each year, based upon assessed valuation at January 1st of that year. Real property taxes are levied on September 1st of each year, based upon assessed valuation through January 1st of that year. In addition, for the period January 1st through September 1st, supplemental assessments are made and related taxes are levied for improved, demolished or damaged property during such period, in accordance with T.C.A. Section 67-607.

Ratio of assessed value to appraised value: Commercial and industrial properties - 40% for real property and 30% for tangible personal property  
 Farm and residential properties - 25%  
 Public utilities - 55%

(1) All properties within the General Services District are taxed at the GSD tax rate. Only those properties within the Urban Services District are taxed at the additional USD tax rate. The USD lies within the GSD.

(2) Source: Tax Aggregate Reports for Tennessee State Board of Equalization

## **Exemptions**

State law exempts from property taxes any property (i) owned by the Federal, State, or local government and used exclusively for public, county, or municipal purposes or (ii) which purely and exclusively is used for religious, scientific, non-profit educational or charitable purposes. Currently in Davidson County, there are approximately 6,619 tax-exempt parcels. For the current fiscal year, the excluded properties of the Industrial Development Board of the Metropolitan Government amounted to an assessed valuation of \$60,664,680 for which a tax equivalent was paid to the Metropolitan Government on the basis of the actual rates of tax levy. The Electric Power Board of the Metropolitan Government also paid \$21,534,703 as a tax equivalent of its exempted property to the Metropolitan Government.

## **Reappraisals**

State law requires a complete reappraisal of all property in the State except those properties centrally appraised by the State such as utilities and railroads. Beginning in 1993, reappraisals have been done on a four-year cycle in Davidson County in accordance with State law. Under this plan there were reappraisals in 1993, 1997, 2001, and in 2005. The 2005 values will be in place until completion of the 2009 reappraisal.

## **Tax Collection**

Personalty and public utility taxes are levied each year based upon assessed valuation at January 1 of that year. Real property taxes are levied each year based upon assessed valuation at January 1 of that year. In addition, for the period January 1 through September 1, supplemental assessments of real property taxes are made and related taxes are levied for improved, demolished or damaged property during such period, in accordance with State law.

Property taxes may be paid in installments without penalty, as long as the total tax is paid by February 28 of the following year.

On March 1 of the calendar year following the levy, taxes become delinquent and a penalty of 1/2 of 1% is assessed. Interest on outstanding obligations is assessed at a rate of 1% per month. The Trustee is designated as the collection official for delinquent property taxes, tax equivalents, and merchant's ad valorem taxes. Property taxes which become twelve months delinquent are transferred to the custody of the Department of Law Division of Tax Litigation for collection through Chancery Court action. The following table is a summary of the tax levies and collections of the last ten fiscal years. The Metropolitan Government plans to sell its delinquent tax receivables for tax years 2005 and 2006 to the highest bidder under authority of Tennessee Code Annotated Section 67-5-2012.

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**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
PROPERTY TAX LEVIES AND COLLECTIONS**

Unaudited  
Ten Year Summary

Fiscal Year	Amount GSD Levy	Amount USD Levy	Total Tax Levy	Collections Within the Fiscal Year of the Levy		Adjustment to Levy	Total Levy after Adjustment	Collections in Susequent Years	Total Collections to Date		Outstanding Delinquent Taxes	Percent of Levy
				Current Tax Amount	Percent of Levy				Amount	Percent of Levy After Adjustment		
1996-97	\$ 279,911,056	\$ 63,745,322	\$ 343,656,378	\$ 329,319,681	95.83%	\$ (4,436,214)	339,220,164	\$ 8,807,428	\$ 338,127,109	99.68%	\$ 1,093,055	0.32%
1997-98	340,884,594	69,379,882	410,264,476	392,783,558	95.74	(5,350,160)	404,914,316	11,472,036	404,255,594	99.84	658,722	0.16
1998-99	361,873,598	71,169,667	433,043,265	415,770,559	96.01	(3,643,924)	429,399,341	12,835,230	428,605,789	99.82	793,552	0.19
1999-00	368,281,927	72,001,424	440,283,351	419,550,370	95.29	(6,490,603)	433,792,748	13,469,495	433,019,865	99.82	772,883	0.18
2000-01	378,375,194	73,652,420	452,027,614	432,592,562	95.70	(4,324,121)	447,703,493	13,717,562	446,310,124	99.69	1,393,369	0.31
2001-02	504,508,539	75,845,541	580,354,080	554,792,713	95.60	(6,580,192)	573,773,888	17,546,678	572,339,391	99.75	1,434,497	0.25
2002-03	508,874,943	74,889,899	583,764,842	557,508,632	95.50	(5,862,778)	577,902,064	18,076,094	575,584,726	99.60	2,317,338	0.40
2003-04	502,057,059	72,975,223	575,032,282	555,507,839	96.60	(1,841,897)	573,190,385	15,159,633	570,667,472	99.56	2,522,913	0.44
2004-05	507,538,957	76,092,355	583,631,312	565,446,465	96.88	(1,567,067)	582,064,245	13,531,490	578,977,955	99.47	3,086,290	0.53
2005-06	619,151,100	76,752,024	695,903,124	671,768,730	96.53	(1,337,874)	694,565,250	-	671,768,730	96.72	22,796,520	3.28

Source: The Metropolitan Government CAFR as of June 30, 2006

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The following table shows the status of the property taxes remaining to be collected at June 30, 2006.

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
SCHEDULE OF DELINQUENT PROPERTY TAXES RECEIVABLE – BY TYPE**

June 30, 2006					
	Year of Levy	Realty	Personalty	Public Utility	Total
General Services District	2005	\$ 16,223,960	\$ 3,067,447	\$ 806,672	\$ 20,098,079
	2004	1,410,735	1,037,256	170,452	2,618,443
	2003	639,220	1,219,148	292,952	2,151,320
	2002	473,334	1,106,135	391,605	1,971,074
	2001	424,505	667,184	133,439	1,225,128
	2000	118,643	818,659	244,503	1,181,805
	1999	110,755	535,334	13,083	659,172
	1998	46,611	586,242	42,020	674,873
	1997	73,351	466,619	21,207	561,177
	1996	9,864	862,876	55,855	928,595
	1995	4,718	495,405	40,456	540,579
Total General Services District		<u>19,535,696</u>	<u>10,862,305</u>	<u>2,212,244</u>	<u>32,610,245</u>
Urban Services District	2005	\$ 2,109,154	\$ 467,866	\$ 121,421	\$ 2,698,441
	2004	239,397	190,724	37,727	467,848
	2003	98,036	214,246	59,312	371,594
	2002	72,593	194,386	79,285	346,264
	2001	65,106	117,247	27,016	209,369
	2000	18,196	143,867	49,502	211,565
	1999	16,986	94,076	2,649	113,711
	1998	7,149	103,022	8,507	118,678
	1997	11,250	82,001	4,294	97,545
	1996	1,513	151,637	11,308	164,458
	1995	724	87,059	8,191	95,974
Total Urban Services District		<u>2,640,104</u>	<u>1,846,131</u>	<u>409,212</u>	<u>4,895,447</u>
Total Delinquent Property Taxes Receivable <sup>(1)</sup>		<u>\$ 22,175,800</u>	<u>\$ 12,708,436</u>	<u>\$ 2,621,456</u>	<u>\$ 37,505,692</u>

<sup>(1)</sup>Excludes 2006 Property Tax Levy

Source: The Metropolitan Government CAFR for each fiscal year

## Principal Taxpayers

The following table presents information concerning the principal taxpayers of the Metropolitan Government.

### METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Unaudited

Taxpayer	December 31, 2005				December 31, 1996			
	2005 Assessed Valuation	Amount of Tax	Rank	% of Total Tax Levy	1996 Assessed Valuation	Amount of Tax	Rank	% of Total Tax Levy
Electric Power Board <sup>(1)</sup>	\$ N/A	\$ 21,534,703	1	3.09 %	\$ N/A	\$ 11,828,370	1	3.44 %
Gaylord	232,907,220	10,915,052	2	1.57	179,579,001	6,649,594	3	1.93
BellSouth	162,773,940	7,480,425	3	1.07	196,819,793	7,448,681	2	2.17
Columbia/HCA	126,129,877	6,001,425	4	0.86	97,060,176	4,356,106	4	1.27
Piedmont Natural Gas Company	94,485,157	4,280,317	5	0.62	62,678,580	2,652,024	5	0.77
Opry Mills Co.	70,260,942	3,804,362	6	0.55	-	-	-	-
CBL & Associates	74,558,746	3,212,292	7	0.46	-	-	-	-
Vanderbilt	65,900,299	3,090,724	8	0.44	-	-	-	-
PREFCO XIV Ltd	57,611,347	2,792,710	9	0.40	55,726,330	2,507,685	7	0.73
E. I. Dupont	50,026,873	2,021,086	10	0.29	51,454,051	1,800,892	9	0.52
Nashland Associates	-	-	-	-	66,040,520	2,649,845	6	0.77
Baptist Hospital	-	-	-	-	47,616,466	2,142,741	8	0.62
SunTrust Bank	-	-	-	-	38,106,278	1,746,591	10	0.51
	<u>\$ 934,654,401</u>	<u>\$ 65,133,096</u>		<u>9.35 %</u>	<u>\$ 795,081,195</u>	<u>\$ 43,782,529</u>		<u>12.73 %</u>

Source: Tax Assessor's Office, Trustee's Office

(1) The amount of tax for the Electric Power Board represents a payment in lieu of taxes and is not based on an assessed valuation.

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**FUND HISTORIES**  
**GENERAL FUND – FIVE YEAR SUMMARY**  
**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**  
**GENERAL FUND <sup>(1) (2)</sup>**

Five Year Summary of Revenues, Expenditures and Changes in Fund Balances

	Years Ended June 30				
	2006	2005	2004	2003	2002
<b>REVENUES:</b>					
Property taxes	\$ 444,304,982	\$ 343,535,141	\$ 338,782,911	\$ 337,920,726	\$ 340,182,082
Local option sales tax	89,795,510	82,674,673	79,253,422	76,182,263	75,486,161
Other taxes, licenses and permits	99,976,969	83,687,713	76,705,938	75,176,573	75,699,531
Fines, forfeits and penalties	13,841,149	12,029,361	9,543,823	10,534,610	9,197,437
Revenue from use of money of property	1,317,882	1,014,952	80,783	1,123,885	1,793,043
Revenue from other governmental agencies	79,624,370	75,677,714	80,786,222	94,232,379	93,569,510
Commissions and fees	21,261,179	21,072,982	19,637,940	18,953,278	14,356,454
Charges for current services	23,794,003	24,790,131	22,286,175	21,730,596	20,969,793
Compensation for loss, sale or damage to property	634,143	550,470	1,625,906	5,493,793	1,303,830
Contributions and gifts	543,390	667,940	539,404	556,455	443,000
Miscellaneous	1,186,236	996,206	1,034,395	613,045	547,519
<b>Total revenues</b>	<b>776,279,813</b>	<b>646,697,283</b>	<b>630,276,919</b>	<b>642,517,603</b>	<b>633,548,360</b>
<b>EXPENDITURES</b>					
General government	21,470,893	21,673,982	37,309,809	32,549,058	27,660,246
Fiscal administration	14,578,459	14,180,153	21,008,051	20,323,270	19,765,287
Administration of justice	58,621,082	53,751,204	50,333,461	45,794,670	43,163,240
Law enforcement and care of prisoners	193,586,575	180,815,275	167,481,033	169,148,228	159,551,996
Fire prevention and control	100,684,959	95,045,746	93,266,180	86,043,913	79,073,811
Regulation and inspection	7,879,011	7,216,063	7,239,736	7,006,740	7,177,920
Conservation of natural resources	421,822	352,566	398,925	311,037	319,543
Public welfare	8,134,531	10,453,774	14,185,717	12,709,251	12,554,567
Public health and hospitals	129,089,250	58,920,291	74,714,817	72,191,199	68,431,324
Public library system	20,379,979	18,527,933	19,425,446	17,795,337	16,237,004
Public works, highway and street	31,099,675	30,517,816	29,901,517	27,117,716	30,688,707
Recreational and cultural	32,931,787	31,203,549	33,654,421	31,793,123	30,305,628
Employee benefits	56,369,642	55,012,329	54,892,819	51,520,203	46,876,942
Miscellaneous	46,968,961	34,130,499	35,774,040	34,573,313	33,791,687
<b>Total expenditures</b>	<b>722,216,626</b>	<b>611,801,180</b>	<b>639,585,972</b>	<b>608,877,058</b>	<b>575,597,902</b>
Excess (Deficiency) of revenues over expenditures	54,063,187	34,896,103	(9,309,053)	33,640,545	57,950,458
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	16,501,209	16,570,634	23,562,003	10,379,911	9,884,702
Transfers out	(60,907,145)	(50,375,689)	(57,172,423)	(74,403,443)	(58,397,575)
<b>Total other financing sources (uses)</b>	<b>(44,405,936)</b>	<b>(33,805,055)</b>	<b>(33,610,420)</b>	<b>(64,023,532)</b>	<b>(48,512,873)</b>
Net change in fund balance	9,657,251	1,091,048	(42,919,473)	(30,382,987)	9,437,585
FUND BALANCE, beginning of year	37,276,827	36,185,779	79,105,252	109,488,239	100,050,654
FUND BALANCE, end of year	<u>\$ 46,934,078</u>	<u>\$ 37,276,827</u>	<u>\$ 36,185,779</u>	<u>\$ 79,105,252</u>	<u>\$ 109,488,239</u>

<sup>(1)</sup> For fiscal year 2002, funds are stated according to GASB 34.

<sup>(2)</sup> Certain numbers have been re-classified for comparative purposes.

Source: The Metropolitan Government CAFR for each fiscal year

**SPECIAL REVENUE FUNDS – FIVE YEAR SUMMARY**  
**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**  
**SPECIAL REVENUE FUNDS <sup>(1)</sup>**

Five Year Summary of Revenues, Expenditures and Changes in Fund Balances

	Years Ended June 30				
	2006	2005	2004	2003	2002
<b>REVENUES:</b>					
Property taxes	\$ 207,366,885	\$ 172,755,666	\$ 171,021,821	\$ 171,053,586	\$ 165,634,153
Local option sales tax	163,902,255	150,161,774	143,765,269	137,212,657	139,791,405
Other taxes, licenses and permits	26,849,863	23,854,084	22,618,663	18,564,004	18,070,949
Fines and costs	5,417,581	4,001,192	4,120,741	3,656,688	2,426,296
Revenue from the use of money or property	3,147,248	2,271,221	703,315	2,507,766	3,062,709
Revenue from other governmental agencies	305,216,003	296,683,076	267,129,790	246,032,628	233,889,778
Charges for current services	23,602,266	24,200,797	23,847,210	22,032,772	27,098,099
Compensation for loss, sale or damage to property	387,535	410,024	601,596	2,007,850	1,185,638
Grants, contributions and gifts	9,602,229	6,839,699	7,064,129	7,450,419	8,786,548
Miscellaneous	243,659	164,864	227,272	96,994	23,481
Total revenues	<u>745,735,524</u>	<u>681,342,397</u>	<u>641,099,806</u>	<u>610,615,364</u>	<u>599,969,056</u>
<b>EXPENDITURES</b>					
Personal services	546,774,235	537,304,627	505,501,472	458,369,374	433,109,794
Contractual services	104,534,079	100,734,913	104,221,751	86,071,527	67,471,741
Supplies	68,262,372	65,320,966	59,298,416	62,065,751	56,752,972
Other	16,605,676	15,562,060	15,159,703	11,064,983	35,983,659
Capital outlay	13,874,112	6,401,557	10,691,927	15,630,797	6,546,573
Total expenditures	<u>750,050,474</u>	<u>725,324,123</u>	<u>694,873,269</u>	<u>633,202,432</u>	<u>599,864,739</u>
Excess (deficiency) of revenues over expenditures	<u>(4,314,950)</u>	<u>(43,981,726)</u>	<u>(53,773,463)</u>	<u>(22,587,068)</u>	<u>104,317</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	74,255,972	60,445,883	61,674,606	67,878,539	53,370,027
Transfers out	(44,735,640)	(36,541,428)	(24,125,875)	(29,405,040)	(23,486,848)
Total other financing sources (uses)	<u>29,520,332</u>	<u>23,904,455</u>	<u>37,548,731</u>	<u>38,473,499</u>	<u>29,883,179</u>
Net change in fund balance	25,205,382	(20,077,271)	(16,224,732)	15,886,431	29,987,496
FUND BALANCE, beginning of year, as restated	<u>126,783,490</u>	<u>146,860,761</u>	<u>163,085,493</u>	<u>147,199,062</u>	<u>117,211,566</u>
FUND BALANCE, end of year	<u>\$ 151,988,872</u>	<u>\$ 126,783,490</u>	<u>\$ 146,860,761</u>	<u>\$ 163,085,493</u>	<u>\$ 147,199,062</u>

<sup>(1)</sup> Certain numbers have been re-classified for comparative purposes.

Source: The Metropolitan Government CAFR for each fiscal year

**DEBT SERVICE FUNDS – FIVE YEAR SUMMARY**  
**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**  
**DEBT SERVICE FUNDS (1) (2)**

FIVE YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

	Years Ended June 30				
	2006	2005	2004	2003	2002
<b>REVENUES:</b>					
Property taxes	\$ 68,148,594	\$ 92,800,646	\$ 92,020,658	\$ 92,149,286	\$ 92,583,740
Local option sales tax	17,613,670	16,865,519	16,760,780	17,184,734	16,429,787
Commissions and fees	475,020	249,637	-	-	2,319,945
Revenue from the use of money of property	-	2,613,062	724,096	2,514,827	4,489,644
Revenue from other governmental agencies	3,802,884	6,774,340	7,774,259	6,188,089	17,573,817
Compensation for loss, sale, or damage to property	6,130,888	-	-	-	-
<b>Total Revenues</b>	<b>96,171,056</b>	<b>119,303,204</b>	<b>117,279,793</b>	<b>118,036,936</b>	<b>133,396,933</b>
<b>EXPENDITURES</b>					
Principal retirement	99,000,000	86,315,000	79,775,000	77,865,000	68,255,000
Interest	65,621,896	57,783,124	59,120,668	58,207,564	63,448,704
Fiscal charges	1,245,498	1,524,597	731,613	1,129,294	701,841
Contractual services	1,534,381	1,300,950	1,317,708	1,316,019	1,346,732
Bond issue costs	1,600	-	-	829,906	-
<b>Total Expenditures</b>	<b>167,403,375</b>	<b>146,923,671</b>	<b>140,944,989</b>	<b>139,347,783</b>	<b>133,752,277</b>
Excess (deficiency) of revenues over expenditures	(71,232,319)	(27,620,467)	(23,665,196)	(21,310,847)	(355,344)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of refunding bonds, net of discount	60,805,000	241,800,000	-	108,690,000	74,193,796
Payments to refunded bond escrow agent	(60,463,650)	(262,859,310)	-	(112,805,846)	(87,228,769)
Bond issue premium (discount)	-	21,881,527	-	5,608,303	1,323,046
Transfers in	25,883,513	20,151,664	18,540,151	19,601,122	16,788,988
Transfers out	(8,807,018)	(7,797,165)	(7,923,367)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>17,417,845</b>	<b>13,176,716</b>	<b>10,616,784</b>	<b>21,093,579</b>	<b>5,077,061</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(53,814,474)	(14,443,751)	(13,048,412)	(217,268)	4,721,717
<b>FUND BALANCE, beginning of year</b>	<b>138,831,824</b>	<b>153,275,575</b>	<b>166,323,987</b>	<b>166,541,255</b>	<b>161,819,538</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 85,017,350</b>	<b>\$138,831,824</b>	<b>\$153,275,575</b>	<b>\$166,323,987</b>	<b>\$166,541,255</b>

(1) Includes the Correctional Facility Revenue Bonds.

(2) Certain numbers have been re-classified for comparative purposes.

Source: The Metropolitan Government CAFR for each fiscal year

## DEBT CALCULATIONS

### THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY COMPUTATION OF NET GENERAL OBLIGATION DEBT

June 30, 2006

Gross General Obligation Debt		
General Obligation Bonds Payable		
General Services District:		
For School Purposes	\$ 531,657,087	
For General Purposes	934,304,659	
Urban Services District:		
For General Purposes	<u>134,733,254</u>	
Total Gross General Obligation Debt		\$ 1,600,695,000
Less:		
Amounts Available In Debt Service Funds		
General Services District:		
For School Purposes	66,092,796	
For General Purposes	4,506,155	
Urban Services District:		
For General Purposes	<u>12,996,611</u>	
Total Amounts Available In Debt Service Funds <sup>(1)</sup>		83,595,562
Debt Payable From Other Sources		
Hotel Occupancy Tax <sup>(1)</sup>		
Convention Center Project:		
G. O. Multi-Purpose Improvement Bonds, Series 1997A	<u>1,655,405</u>	
Total Debt Payable From Other Sources		<u>1,655,405</u>
Net General Obligation Debt		<u><u>\$ 1,515,444,033</u></u>

<sup>(1)</sup> Excludes the Correction Facility Revenue Bonds.

Source: The Metropolitan Government CAFR and Finance Department as of June 30, 2006

**DEBT RATIOS**  
As of June 30, 2006

Total Debt		
Debt to Estimated Market Value		3.17%
Debt to Assessed Value		10.30%
Debt per Capita	\$	2,777.14

Net Debt		
Debt to Estimated Market Value		3.00%
Debt to Assessed Value		9.76%
Debt per Capita	\$	2,629.24

The above table is based upon:

Estimated Market Value	\$	50,477,218,642
Assessed Value	\$	15,533,718,736
Population <sup>(1)</sup>		576,382

**CALCULATION OF SELF-SUPPORTING DEBT**  
As of June 30, 2006

Hotel Occupancy Tax:	As of
Convention Center Project <sup>(2)</sup>	<u>June 30, 2006</u>
G.O. Multi-Purpose Improvement Bonds, Series 1997A	<u>1,655,405</u>
	<u>\$ 1,655,405</u>

<sup>(1)</sup> Source: Nashville Area Chamber of Commerce end of calendar year estimate.

<sup>(2)</sup> General improvement bonds represent outstanding general obligation bonds issued for the convention center, the debt service payments which are reimbursed from the hotel-motel room occupancy tax.

Source: The Metropolitan Government CAFR as of June 30, 2006

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The following table illustrates certain debt ratios for the past ten fiscal years.

### HISTORICAL DEBT RATIOS

Fiscal Year Ending June 30	Population <sup>(1)</sup>	Assessed Valuation (in thousands)	Gross Debt	Debt Service Monies Available	Debt Payable From Sources Other Than Property Taxes	Net Debt	Ratio of Net Debt to Assessed Valuation	Net Debt Per Capita
1997	565,004	8,192,587	792,420,000	70,552,736	36,978,998	684,888,266	8.36	1,212.18
1998	566,150	10,647,934	908,095,000	79,899,351	39,815,699	788,379,950	7.4	1,392.53
1999	567,251	10,895,718	1,038,960,000	103,509,799	35,728,961	899,721,240	8.26	1,586.11
2000	569,891	11,087,336	989,705,000	120,991,318	31,507,203	837,206,479	7.55	1,469.06
2001	571,312	11,390,200	1,196,320,000	156,401,726	26,938,984	1,012,979,290	8.89	1,773.08
2002	569,174	13,373,373	1,187,245,000	162,065,583	22,359,946	1,002,819,471	7.5	1,761.89
2003	570,136	13,463,419	1,114,990,000	163,736,722	17,562,681	933,690,597	6.94	1,637.66
2004	572,475	13,280,464	1,158,710,000	151,389,536	12,519,184	994,801,280	7.49	1,737.72
2005	580,455	13,432,024	1,279,935,000	136,955,015	7,219,970	1,135,760,015	8.46	1,956.67
2006	576,382	15,533,719	1,600,695,000	83,595,562	1,655,405	1,515,444,033	9.76	2,629.24

<sup>(1)</sup> Source: U.S. Department of Commerce, Bureau of the Census and Labor

Source: The Metropolitan Government CAFR as of June 30, 2006

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The following table sets forth annual debt service requirements by district of the Metropolitan Government on outstanding general obligation notes and bonds (excluding this issue) secured by ad valorem taxes.

**TOTAL DEBT SERVICE**  
As of June 30, 2006  
Secured by Ad Valorem Taxes

Year Ending	GSD		USD	Total GSD and USD
	School Purposes	General Purposes	General Purposes	
2007	\$ 56,153,853	\$ 93,167,434	\$ 18,967,137	\$ 168,288,424
2008	56,273,453	91,245,679	19,187,359	166,706,491
2009	52,272,332	85,737,332	14,903,826	152,913,490
2010	49,915,476	84,201,300	14,884,033	149,000,809
2011	48,733,886	82,590,715	14,299,407	145,624,008
2012	46,630,317	76,597,075	13,416,757	136,644,149
2013	46,508,307	74,141,518	12,723,695	133,373,520
2014	45,198,435	73,715,128	10,978,454	129,892,017
2015	44,199,242	73,685,936	10,734,714	128,619,892
2016	44,500,314	81,099,098	6,512,354	132,111,766
2017	40,668,432	76,895,117	7,304,267	124,867,816
2018	33,919,610	63,626,046	7,235,104	104,780,760
2019	34,609,290	60,175,755	7,251,044	102,036,089
2020	25,955,104	52,259,937	6,676,971	84,892,012
2021	28,473,949	57,967,168	6,458,574	92,899,691
2022	28,754,797	57,658,820	6,605,920	93,019,537
2023	28,770,833	57,682,578	6,605,856	93,059,267
2024	28,311,251	57,026,832	6,377,153	91,715,236
2025	23,256,425	50,045,862	4,433,578	77,735,865
2026	8,740,110	36,440,872	2,711,883	47,892,865
2027	5,252,476	19,175,181	1,121,801	25,549,458
2028	1,946,936	7,771,308	-	9,718,244
2029	-	5,531,982	-	5,531,982
2030	-	5,526,356	-	5,526,356
2031	-	-	-	-
2032	-	-	-	-
	<u>\$ 779,044,828</u>	<u>\$ 1,423,965,029</u>	<u>\$ 199,389,887</u>	<u>\$ 2,402,399,744</u>

Source: The Metropolitan Government CAFR as of June 30, 2006

## **INVESTMENT POLICY**

The Metropolitan Council has approved a comprehensive Investment Policy governing the overall administration and investment management of those funds held in the Short-Term Investment Portfolio. The policy applies to all short-term financial assets of the Metropolitan Government from the time of receipt until the time the funds ultimately leave the Metropolitan Government accounts. These assets include, but are not limited to, all operating funds, bond funds, debt service reserve funds, water and sewer funds, Urban Services District and General Services District funds, those pension monies not yet allocated to money managers, all float and certain school funds.

The Short-Term Investment Portfolio of the Metropolitan Government is managed to accomplish the following hierarchy of objectives:

- 1) Preservation of principal
- 2) Maintenance of liquidity
- 3) Maximize returns

The Cash Investment Committee meets at least quarterly to review the position of the portfolio and to discuss investment strategies. The Committee reviews investment policy and procedures at least once each year. The Metropolitan Treasurer is responsible for the investment process, carries out the daily operational requirements, and maintains written administrative procedures for the operation of the investment program that are consistent with the Investment Policy.

The Metropolitan Investment Pool has been established to meet investment objectives in the most cost-effective way. All payments and receipts of income on pool investments are allocated on a pro rata basis among the accounts invested in the pool on the daily invested balance in each fund. Earnings are calculated and distributed on a monthly basis.

## **MASS TRANSIT EXPENDITURES**

In 1963, the Metropolitan Government acquired the net assets of the Nashville Transit Company and the Metropolitan Transit Authority was established. The revenues derived from the transit system are not sufficient to pay the expenses incurred in the operation of the system. The Metropolitan Government and the State of Tennessee contributed in the fiscal year ending June 30, 2006, approximately \$16.429 million and \$3.502 million respectively, to pay approximately 57% of the Authority's operating expenses. The State directs revenues from a two cent per gallon gasoline tax, which it imposes on local governments, that may be applied to mass transit. The contribution of the Metropolitan Government was paid from its general revenues. The Metropolitan Government, and the State and Federal Governments, through grants have spent approximately \$96,676,902 to date on improvements of the transit system since 1973.

## **DISTRICT ENERGY SYSTEM OVERVIEW**

The Metropolitan Government's District Energy System (DES) began operations in December 2003. DES is a district heating and cooling system that provides steam and chilled water to 39 buildings in the downtown Metropolitan Nashville area for the purpose of general heating and air conditioning. DES is managed by Constellation Energy Projects & Services (CEPS) of Baltimore, MD. CEPS has been involved in the development of many other district energy plants, including those in Chicago, Boston, New Orleans and Baltimore. The Metropolitan Government is the owner of the District Energy System and the site on which the new facility is located.

The primary components of the District Energy System include (i) the steam production subsystem consisting of four 65,000 PPH forced draft, pressurized, dual-fuel boilers and a duplex soft water system; (ii) the chilled water subsystem comprised of nine 2,600-ton electrical drive chillers, 18 single-cell, induced draft cooling towers and 6 chilled water and 5 condenser water pump/motor sets; (iii) a 69/13/8 KV supply substation and two 69/13.8 KV transformers; and (iv) 14,000 linear feet of underground energy distribution piping.

## **THE SPORTS AUTHORITY OF THE METROPOLITAN GOVERNMENT**

The Sports Authority of the Metropolitan Government of Nashville and Davidson County (the "Authority") is a public non-profit corporation and instrumentality of the Metropolitan Government organized in 1995 pursuant to Chapter 67, Title 7 of Tennessee Code Annotated, as amended; it is a Component Unit of the Metropolitan Government and is included in the Metropolitan Government's CAFR. The purpose of the Authority is to plan, promote, finance, construct, and acquire sports complexes, stadiums, arenas, and facilities for public participation and enjoyment of professional and amateur sports activities for the people in the State of Tennessee. The Authority has no taxing power.

The Authority, on behalf of the Metropolitan Government, issued revenue bonds in 1996 and 1998 to assist in the funding of certain sports projects. The proceeds of the Series 1996 Bonds were used for a portion of the construction of the Coliseum for the National Football League's Tennessee Titans and Tennessee State University, while the Series 1998 Bonds were issued to fund a portion of the franchise payment to the National Hockey League ("NHL") for the NHL's Nashville Predators. These bond issues were primarily funded with new, dedicated revenue streams (consisting of a payment in lieu of tax from the Water and Sewerage Department, parking revenues, lease payments from Tennessee State University and a ticket surcharge at the Gaylord Entertainment Center). However, a portion of the debt service as well as any deficiencies from the other pledged revenue streams are backed by a pledge of certain of the Metropolitan Government's non-tax General Fund revenues. In 2004 a portion of the Series 1996 Bonds were advanced refunded for debt service savings. In total, the annual debt service for these bond issues is approximately \$6.9 million through 2007, \$6.7 million 2008 through 2019, and \$4.8 million thereafter until 2027.

## **PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS**

There are currently eight pension plans covering employees of the Metropolitan Government and the Metropolitan Board of Education ("MBE"). Two of these plans, the Metropolitan Employee Benefit System and the Metropolitan Board of Education Teacher Retirement Plan, were created upon the adoption of the metropolitan form of government on April 1, 1963 (the "Metropolitan Plans"). All certified employees of the MBE hired since July 1, 1969, are covered under the Tennessee Consolidated Retirement System.

Under the Charter, the Metropolitan Plans are required to be actuarially sound. The Metropolitan Plans were originally funded by annual contributions of employees and employers under the Metropolitan Plans. In 1987 employees ceased making contributions to the Metropolitan Government plans, and both Division A and B are funded by contributions by the Metropolitan Government. Employees continue to contribute to the medical insurance plans. The contributions of the Metropolitan Government to the Metropolitan Employee Benefit System are determined as a percentage of the aggregate payroll of the participating employees. The Metropolitan Government has no liability for any benefits under the Tennessee Consolidated Retirement System, which is funded solely by employees and State contributions.

On January 1, 1996, Government employees in the Metropolitan Government plan had the option to participate in a modified version of the currently effective retirement and disability programs. Of the approximately 11,300 Metropolitan Government employees, 5% elected to stay with the old pension plan (Division A) and 95% elected to enroll in the new pension plan (Division B). All pension benefits are being funded actuarially according to generally accepted accounting principles.

Contributions to the Metropolitan Board of Education Teacher Retirement Plan, a closed plan of the Metropolitan Government, are made by the MBE and the employees. To meet its obligations to fund future benefits of this plan in excess of plan assets, the MBE contributes a percentage of payroll determined by an annual actuarial valuation.

The remaining five pension plans were formerly administered by the City of Nashville and by Davidson County and were closed to participation on April 1, 1963 (the "Closed Plans"). The Closed Plans include the Civil Service Employee's Pension Fund, The Police and Firemen Pension Fund, The Teachers' Civil Service and Pension Fund, The Davidson County Employees' Retirement Fund, and The Employees Pension and Insurance Fund. Prior to July 1, 2000, the Closed Plans were funded on a pay-as-you-go basis. The difference between the revenue of these funds and benefit expenditures was paid by the Metropolitan Government out of operating budgets of the USD for the former City of Nashville plans and/or the GSD for the former Davidson County plans.

In August 2000, the Government adopted a Guaranteed Payment Plan (GPP) to fund the obligations of the Closed Plans ("superseded systems") on an actuarially sound basis. Under the GPP the unfunded accrued liabilities and other funding obligations of the Closed Plans, including any benefit improvements granted by the superseded systems, are determined in a manner so as to amortize the same over a period not to exceed thirty (30) years from July 1, 2000. Appropriations made by the Metropolitan Council to fund the obligations of the superseded systems shall not be reduced for any year until all of the pension obligations of the superseded systems are fully amortized.

The Metropolitan Board of Education is also required to fund in its annual budget the actuarial contribution attributable to the aggregate benefits of all teachers covered under its superseded systems. The amounts required to fund such actuarial contributions shall be set forth in the annual budget adopted by the Metropolitan Council.

All funds appropriated for funding obligations of the superseded systems are directly transferred to the GPP. From the GPP the Government transfers such amounts as needed to each respective superseded system in such amounts required to ensure full amortization of all liabilities.

In prior years, cost-of-living benefits under the Metropolitan Plans were funded on a pay-as-you-go basis, which resulted in lower contributions to the plans than were called for under generally accepted accounting principles. To reflect this shortfall and the fact that the Closed Plans were being funded on a pay-as-you-go basis, a liability was set up in the government-wide financial statements. Now that the Metropolitan Plans are being funded actuarially (taking into account prior shortfalls), and as the Closed Plans are declining in importance, the liability established in prior years is rapidly declining.

The following summary states (in thousands) the unfunded pension benefit obligation (as defined in Statement No. 27 of the Government Accounting Standards Board) for all of the following plans as of the most recent actuarial valuations.

Net Pension Asset shown in parentheses

**City County Plans (as of June 30, 2006)**

The Metropolitan Employee Benefit System	\$ 10,312
The Davidson County Employees' Retirement Fund	\$ (9,617)
The Civil Service Employees' Pension and Police and Firemen Pension Funds	\$ (15,395)

City County Plans reported as shown in CAFR at June 30, 2006.

**Board of Education Plans (as of June 30, 2006)**

The Teachers' Civil Service and Pension Fund (Nashville City Teachers)	\$ (7,479)
The Employees' Pension and Insurance Fund (Davidson County)	\$ (2,911)
The Metropolitan Board of Education Teacher Retirement Plan	\$ 60,384

Board of Education reported as shown in CAFR at June 30, 2006.

It is expected that the aggregate contributions required for the pension plans, as a percentage of the total covered payroll, will remain relatively level. Information on the actuarial valuations for each pension plan is given in the required supplementary information to the notes in the Basic Financial Statements of the CAFR.

The Governmental Accounting Standards Board has issued Statement No. 45 which revises the accounting for all other post-employment benefits ("OPEB"). This Statement applies accounting methodology similar to that used for pension liabilities (Statement No. 27) to OPEB and attempts to more fully report the costs of employment by requiring governments to include future OPEB costs on their financial statements. While Statement No. 45 requires reporting and disclosure of the unfunded OPEB liability, it does not require that it be funded. Statement No. 45 is effective in fiscal 2007-2008.

The Metropolitan Government currently provides various post-employment benefits other than pensions, with healthcare representing the most significant portion of the OPEB cost. For any retiree in the Metro, City or County Plan who elects to participate in the Metro hospitalization insurance program, the Metropolitan Government contributes 75% of all premium payments, and the retiree contributes 25%. Funding is on a pay-as-you-go basis under which payments are made in amounts sufficient to cover benefits paid, administrative costs and anticipated inflationary increases. The Metropolitan Government also provides a matching contribution on dental insurance for any retiree who elects to participate and provides life insurance at no charge. During the year ended June 30, 2006, 6,639 Metro participants were eligible to receive post-employment benefits, and the benefits paid totaled \$23,917,953.

For any retiree in the Metro, City or County Education Plans who elects to participate in the medical and dental insurance plans of the Metropolitan Nashville Public Schools, Schools contribute 75% of all premium payments with the retiree contributing the remaining 25%. Funding is on a pay-as-you-go basis under which payments are made in amounts sufficient to cover benefits paid. During the year ended June 30, 2006, 2,786 School participants were eligible to receive post-employment benefits, and the benefits paid totaled \$11,898,980.

The Metropolitan Government plans to adopt GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, required for fiscal periods beginning after December 15, 2006, in fiscal 2008. This Statement addresses how governments should account for and report their costs and obligations related to post-employment healthcare

and other non-pension benefits. Preliminary independent actuarial estimates for the present value of future benefits are \$1.5 billion for the general government and \$500 million for teachers. Estimated annual required contributions over a 30-year period are \$95 million and \$45 million for the general government and teachers, respectively. Detailed actuarial studies of these liabilities and costs are currently underway.

The key assumptions used in developing these estimates include:

- Current level of benefits provided
- July 1, 2003 valuation date and census data
- Actual dependent coverage information
- 6.0% discount rate
- Blended per capita claims cost
- Health care cost trend rate: 12% graded to 5%
- Impact of Medicare Part D subsidy was not included

The results of the calculations for OPEB for Metro retirees were:

- Present value of future benefits = \$1.5 billion
- Unfunded accrued liability = \$978 million
- Annual required contribution = \$95 million (general government) and \$45 million (teachers) for 30 years

## **PUBLIC EMPLOYEES' REPRESENTATION**

As of June 30, 2006, the Metropolitan Government and Metropolitan Board of Education employed approximately 18,973 persons of whom approximately 9,307 worked full-time for the MBE and 9,666 worked full time for the Metropolitan Government. Appropriately 97% of the uniformed personnel of the Fire Department are members of Local No. 140 of the International Association of Firefighters. The Police Department has 1,730 active employees, of which 1,215 are sworn personnel. The Police Department is divided between the Teamsters International and the Fraternal Order of Police with the Teamsters holding a plurality. Approximately 430 sworn officers (or 35%) of the Police Department belong to Teamsters International. Therefore under local law, Teamsters International is designated as the bargaining agent. Of those employed by the MBE, approximately 52.5% of the teaching employees are members of the Metropolitan Nashville Education Association (the "MNEA"); 36.4% of the remaining non-teaching employees are members of the Service Employees International Union; and 8.2% are in the Steel Workers Union.

The MBE is a party to a Memorandum of Understanding with the MNEA which is renewed annually. The Metropolitan Government confers on an informal basis with representatives of employee unions mentioned above concerning employees' working conditions within their respective departments.

With the exception of school teachers covered specifically by the Education Professional Negotiation Act, which provides for memoranda of understanding, the State does not recognize collective bargaining agreements between municipalities and their employees. The State courts have ruled that collective bargaining between municipalities and their employees are void and of no effect because they are contrary to public policy. The state courts have also ruled that strikes by municipal employees are illegal and subject to injunction.

## ECONOMIC AND DEMOGRAPHIC PROFILE OF NASHVILLE AND DAVIDSON COUNTY

### Introduction

The Metropolitan Government of Nashville and Davidson County ("The Metropolitan Government"), as created in 1963, is in the north central part of Tennessee and covers 533 square miles. Nashville is the capital of the State of Tennessee and is situated in the Nashville Basin, between the Tennessee River on the west and the Eastern Highland Rim on the east.

### Population Growth

The following table sets forth information concerning population growth in Nashville. A comparison with the Nashville Metropolitan Statistical Area ("MSA"), the State and the United States serves to illustrate relative growth.

#### THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY DEMOGRAPHIC STATISTICS – POPULATION GROWTH

Area	1990	2000	% Change 1990-2000	Estimated 2006	% Change 2000-2006
Nashville/Davidson <sup>(1)</sup>	510,786	569,691	11.5 %	576,382	1.2 %
MSA <sup>(1)</sup>	985,026	1,311,789	33.2	1,445,793	10.2
State <sup>(1)</sup>	4,890,640	5,689,283	16.3	6,019,254	5.8
United States <sup>(2)</sup>	248,709,925	281,421,906	13.2	299,502,569	6.4

Source: Population is from the U. S. Department of Commerce, Bureau of the Census except for "Estimated 2006" which are from the following sources:

<sup>(1)</sup> Nashville/Davidson, MSA and State estimates for 2006 are from projections based on existing population and growth rates. Cannon, Hickman, Macon, Smith, and Trousdale counties were added to the Nashville MSA as of December 2003.

<sup>(2)</sup> Bureau of the Census.

Growth within the MSA has occurred to the greatest extent in surrounding communities, which, although suburbs of Nashville, are in themselves residential, manufacturing and agricultural communities.

### Per Capita Personal Income

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Nashville MSA	24,432	25,076	25,946	27,621	28,928	30,601	31,440	32,180	33,354	34,904
Davidson County	26,419	27,062	27,672	30,005	31,494	33,388	35,191	36,768	38,297	40,393
Tennessee	21,174	21,854	22,676	23,989	24,898	26,097	26,870	27,490	28,440	29,844
United States	23,076	24,175	25,334	26,883	27,939	29,845	30,574	30,810	31,484	33,050

Source: Bureau of Economic Analysis website - [www.bea.gov](http://www.bea.gov)

### Economy of the Metropolitan Area

Nashville has a diverse economy, having considerable involvement in commerce and industry, education and government. Agriculture is also a major factor in the economy of the surrounding counties. Insurance, finance, publishing, banking, health care, music, tourism, manufacturing and distribution are all mainstays of the economy. Lack of dependency on one industry has helped to insulate Nashville from the impact of product business cycles. Businesses have been attracted to Nashville because of its location, work force, services and taxes. The central location of Nashville, approximately halfway between Houston and New York, has contributed to its emergence as an important wholesale and retail center.

## Employment

The following table shows the labor force segments of the eight county Nashville Metropolitan Statistical Area for calendar years 2002 through June 2006.

### NASHVILLE MSA EMPLOYMENT BY INDUSTRY

Industry	<u>Ann 2002</u>	<u>Ann 2003</u>	<u>Ann 2004</u>	<u>Ann 2005</u>	<u>June-06</u> <sup>(1)</sup>
<b>Total, all industries</b>	682,253	693,880	712,954	733,795	749,249
<b>Goods-Producing</b>	115,993	116,139	118,169	120,503	122,898
<b>Natural Resources and Mining</b>	1,295	1,218	1,183	1,068	1,162
<b>Construction</b>	31,577	33,648	33,712	35,512	37,957
<b>Manufacturing</b>	83,121	81,273	83,274	83,923	83,779
<b>Service-Providing</b>	463,454	472,166	487,069	503,298	512,182
<b>Trade, Transportation, and Utilities</b>	133,277	139,350	143,555	148,314	152,262
<b>Information</b> <sup>(2)</sup>	20,393	18,680	17,982	18,150	18,351
<b>Financial Activities</b>	42,393	43,950	43,394	43,846	44,481
<b>Professional and Business Services</b>	88,591	83,358	91,667	96,123	96,348
<b>Education and Health Services</b>	87,413	92,128	95,698	98,470	100,735
<b>Leisure and Hospitality</b>	69,382	72,241	73,322	76,575	77,763
<b>Other Services</b> <sup>(2)</sup>	21,707	22,180	21,151	21,503	21,923
<b>Unclassified</b>	298	279	300	317	320
<b>Government</b>	102,806	105,575	107,716	109,994	114,169

(1) Data only available through June 2006.

(2) Estimated: incomplete data from BLS for 2005 and 2006; data complete for overall division of labor.

Source: The Bureau of Labor Statistics

**PERCENTAGE OF PERSONS EMPLOYED BY INDUSTRY: MSA, STATE, AND NATION**

	Nashville MSA					Tennessee					United States				
	2006 <sup>(2)</sup>	2005	2004	2003	2002	2006 <sup>(2)</sup>	2005	2004	2003	2002	2006 <sup>(2)</sup>	2005	2004	2003	2002
Total, All Industries <sup>(1)</sup>	749.2	733.8	713.0	693.9	682.3	2,728.2	2,685.5	2,654.1	2,598.7	2,601.5	133,039.3	131,571.6	129,278.2	127,795.8	128,233.9
In Percentages:															
Construction & Mining	5.2%	5.0%	4.9%	5.0%	4.8%	5.1%	4.9%	4.8%	4.8%	4.8%	6.9%	6.8%	6.6%	6.5%	6.5%
Manufacturing	11.2%	11.4%	11.7%	11.7%	12.2%	14.8%	15.2%	15.5%	15.8%	16.4%	10.6%	10.8%	11.0%	11.3%	11.9%
Trade, Transportation & Utilities	20.3%	20.2%	20.1%	20.1%	19.5%	21.9%	22.1%	22.0%	22.1%	22.0%	19.3%	19.5%	19.6%	19.6%	19.7%
Information <sup>(3)</sup>	2.4%	2.5%	2.5%	2.7%	3.0%	1.8%	1.8%	1.8%	1.9%	2.0%	2.3%	2.3%	2.4%	2.5%	2.6%
Financial Activities	5.9%	6.0%	6.1%	6.3%	6.2%	5.2%	5.2%	5.3%	5.3%	5.2%	6.1%	6.1%	6.1%	6.1%	6.0%
Professional & Business Services	12.9%	13.1%	12.9%	12.0%	13.0%	11.6%	11.6%	11.4%	11.1%	11.6%	13.0%	12.8%	12.6%	12.4%	12.4%
Education & Health Services	13.4%	13.4%	13.4%	13.3%	12.8%	11.9%	11.8%	11.6%	11.5%	11.0%	12.6%	12.5%	12.4%	12.3%	12.0%
Leisure & Hospitality	10.4%	10.4%	10.3%	10.4%	10.2%	9.7%	9.8%	9.5%	9.5%	9.2%	9.6%	9.7%	9.6%	9.5%	9.4%
Other Services <sup>(3)</sup>	2.9%	2.9%	3.0%	3.2%	3.2%	2.6%	2.6%	2.6%	2.7%	2.7%	3.3%	3.3%	3.3%	3.3%	3.3%
Government	15.2%	15.0%	15.1%	15.2%	15.1%	15.3%	14.8%	15.3%	15.2%	15.1%	16.1%	15.9%	16.1%	16.2%	16.1%
Unclassified	0.04%	0.04%	0.04%	0.04%	0.04%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%

(1) Total Employment in thousands of persons.

(2) Data only available through June 2006.

(3) Estimated: incomplete data from BLS for 2005 and 2006; data complete for overall division of labor.

Source: The Bureau of Labor Statistics

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
TEN LARGEST EMPLOYERS IN THE NASHVILLE MSA  
(Including Government Agencies)**

Employer	Unaudited June 30, 2006			June 30, 1997		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
State of Tennessee	20,029	1	2.70 %	24,500	1	3.77 %
Metro Nashville-Davidson Co. Government and Public Schools	19,188	2	2.58	18,990	2	2.92
Vanderbilt University and Medical Center (1)	17,158	3	2.31	12,187	3	1.88
U.S. Government	11,146	4	1.50	11,000	4 (2)	1.69
HCA (including Tri-Star Health System)	8,742	5	1.18	8,100	7	1.25
Nissan North America Inc.	8,100	6	1.09	6,000	8	0.92
St. Thomas Health Services	6,300	7	0.85	-	-	-
Saturn Corporation	5,800	8	0.78	8,350	6	1.29
Bridgestone Americas Holding Inc. (1)	4,900	9	0.66	-	-	-
Gaylord Entertainment Co. (1)	4,150	10	0.56	11,000	4 (2)	1.69
Kroger Corporation	-	-	-	5,750	9	0.89
United Parcel Service	-	-	-	4,500	10	0.69
	<u>105,513</u>		<u>14.20 %</u>	<u>110,377</u>		<u>16.99 %</u>

Sources:

Principal Employers and Number of Employees - Nashville Area Chamber of Commerce, Nashville Business Journal  
Total Employment - US Department of Labor Bureau of Labor Statistics

(1) National, State or Corporate Headquarters.

(2) Tie ranking.

## Unemployment Rates

The following table sets forth the unemployment percentage rates in Nashville, the MSA, the State and the United States for the calendar years 1997-2006.

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Davidson County	3.40%	2.80%	2.90%	3.20%	3.60%	4.50%	4.80%	4.60%	4.60%	4.30%
Nashville MSA	3.60	3.10	2.90	3.20	3.80	4.40	4.70	4.30	4.40	4.20
TN	5.30	4.50	4.10	4.00	4.70	5.30	5.70	5.50	5.60	5.20
US	4.90	4.50	4.20	4.00	4.70	5.80	6.00	5.50	5.10	4.60

## Investment and Job Creation

In the year 2006, the Nashville Area Chamber of Commerce announced some 29 business relocations or expansions into the Nashville MSA, collectively bringing 2,765 new jobs to the Metro area. The capital investment for these projects totaled \$294 million. Continued expansion has occurred in recent years in information processing operations, the automotive industry, health care management and many areas where the local economy has established strength and growth potential.

Over the past four years, many sizable headquarters have relocated to Nashville. Asurion, which provides enhanced services to the wireless telecommunications industry, relocated from Silicon Valley in May 2003, adding 600 jobs to Nashville's employment base. CareMark Rx, a Fortune 100 pharmaceuticals company, moved its headquarters from Birmingham, AL to downtown Nashville, bringing 50 executive jobs with the relocation. Quanta is the world's largest manufacturer of notebook computers and brought 500 new jobs with their initial move. Louisiana-Pacific Corporation, which manufactures building products, relocated its headquarters to downtown Nashville after 30 years in Portland, OR. The move created 225-plus jobs. Clarcor, Inc., a manufacturer of filtration products with a market cap of \$1.1 billion, relocated its corporate headquarters to the Nashville area from Rockford, Ill, creating up to 75 executive positions. Actus Lend Lease moved its military housing operations company from Napa Valley to Nashville in January 2005. Great American Country also relocated in 2005, bringing their headquarters from Denver to Music Row. The Fraternal Order of Police constructed a new 20,000 square-foot facility in Nashville's Century City to house headquarter operations. Nissan North America relocated corporate operations to Middle Tennessee in June 2006, temporarily moving into downtown Nashville before settling into a new campus in Cool Springs in 2008. The Barbershop Harmony Society, founded in 1938, is the largest all-male singing organization with 30,000 members. Preparations have begun for the renovation of a 36,000 square foot building to house the nonprofit association's international headquarters.

## Education

The School System had its beginning in 1963 with the merger of Nashville and Davidson County. The Nashville public schools make up the second largest school system in Tennessee. In the current 2006-2007 school year, Nashville has 134 public schools, with 72,000+ students and 5,730 teachers. In addition, there are 75 independent schools, which are attended by over 27,800 students from pre-kindergarten through 12<sup>th</sup> grade.

The School System is administered by the Metropolitan Board of Education, consisting of 9 members. Davidson County voters elect one member from each school district to a four-year term. The terms are staggered so that at least four members are elected every two years. The Board of Education holds regular meetings on the second and fourth Tuesday of each month. These meetings are open to the public.

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The current members of the Metropolitan Board of Education, the office held by each and the date their term of office expires are listed below.

**The Metropolitan Board of Public Education  
2007-2008**

<u>Member</u>	<u>Office</u>	<u>Date Term Expires</u>
Marsha Warden	Chairman	2008
Edward T. Kindall	Vice-Chairman	2008
Jo Ann Brannon	Member	2010
David A. Fox	Member	2010
Pam Binkley Garrett	Member	2008
Steve Glover	Member	2010
Karen Y. Johnson	Member	2010
Gracie Porter	Member	2008
George H. Thompson, III	Member	2008

The following tables summarize certain information regarding the School System's building facilities and enrollment and attendance trends.

**SCHOOL SYSTEM  
Public Education Facilities  
2005-2006**

<u>Educational Level</u>	<u>Number of Schools</u>	<u>2005-06 School Year Enrollment</u>
Elementary	73 <sup>(1)</sup>	31,463 (PK-4)
Middle	36 <sup>(2)</sup>	20,804 (5-8)
Senior	21 <sup>(3)</sup>	18,986 (9-12)
Special Education	3 <sup>(4)</sup>	1,482
Adult Center	1	-
Total	<u>134</u>	<u>72,735</u>

<sup>(1)</sup> Includes three magnet schools.

<sup>(2)</sup> Includes seven magnet schools.

<sup>(3)</sup> Includes four magnet schools, three alternative schools, one middle college, and two charter schools

<sup>(4)</sup> Includes one gifted/talented school

**SCHOOL SYSTEM**  
**Public Schools Enrollment and Attendance**

School Year	Enrollment <sup>(1)</sup>	Average Attendance
1996-1997	71,341	67,702
1997-1998	71,000	67,450
1998-1999	69,878	63,896
1999-2000	69,723	66,118
2000-2001	69,457	65,289
2001-2002	69,700	66,319
2002-2003	70,028	66,554
2003-2004	70,760	65,857
2004-2005	71,651	65,960
2005-2006	72,735	67,530

<sup>(1)</sup> Official enrollment as reported to the State Board of Education in October of each school year.

The Nashville Metropolitan Statistical Area has 15 colleges and universities, including Vanderbilt University, Belmont University, Tennessee State University, David Lipscomb University, Meharry Medical College, Nashville State Technical Institute and Fisk University. Total higher education enrollment exceeds 65,000 students annually.

Seven of Nashville's institutions of higher education offer graduate programs. Nashville is also a leading center for medical research and education with Vanderbilt University emphasizing medical research in addition to its programs in other disciplines and with Meharry Medical College specializing in health care delivery.

Several commercial and vocational schools are located in Nashville. In addition, the Adult Vocational Educational Program operated by the Metropolitan Board of Education and the State Department of Education provides skill training to approximately 1,500 adults annually. An advisory committee for vocational education consisting of business and industrial leaders advises the MBE as to the need for vocational classes and as to changes needed to meet the demand for new skills and knowledge.

**Manufacturing**

As of June 2006, an average of 83,800 persons were employed in the manufacturing industries in the MSA, engaging in a wide range of activities and producing a variety of products, including food, tobacco, textiles and furnishings, lumber and paper, printing and publishing, chemical and plastics, leather, concrete, glass, stone, primary metals, machinery and electronics, motor vehicle equipment, measuring and controlling devices, and consumer products.

Currently, the Nashville MSA's largest manufacturing employer is Nissan Motor Manufacturing Corp. U.S.A., which has some 8,100 employees and is situated 30 miles to the south of Nashville, on the edge of the MSA. Saturn Corporation employs 5,800 in its facilities in Spring Hill, TN and is the second largest manufacturing employer. Dell is third with 1,500 employees.

**Trade**

Nashville is the major wholesale and retail trade center for the MSA and some 50 counties in the central region of the State, southern Kentucky and northern Alabama, a retail trade area of more than 2.3 million people with retail sales of over \$27.0 billion. Major regional shopping centers register more than \$3.0 billion in retail sales annually, placing Nashville in the nation's top 50 markets. Outside the Nashville downtown area there are five major shopping centers, four of which are enclosed malls, and 60 smaller shopping complexes.

## **Agriculture**

Nashville is surrounded by agricultural-based economies. The area encompassing middle Tennessee produces livestock, dairy products, soybeans, small grain, feed lot cattle, strawberries, hay and tobacco. Additionally, the area surrounding Nashville is the home of the Tennessee Walking Horse.

## **Transportation**

Nashville serves as a conduit or trans-shipment point for much of the traffic between the northeast and southeast United States. Three interstate highways extending in six directions intersect in Nashville in addition to nine Federal highways and four State highways. Barge service on the Cumberland River, together with good rail and air services, give Nashville an excellent four-way transportation network.

The Cumberland River, connecting Nashville and the surrounding area to the Gulf of Mexico and intermediate points on the Ohio and Mississippi Rivers, is used by 51 commercial operators, 18 of which serve Nashville. With the completion of the Tennessee-Tombigbee Waterway in 1985, Cumberland River freight is able to reach the Port of Mobile, thereby eliminating approximately 600 miles of the distance from Nashville to the open sea and contributing to the development of foreign trade in Nashville. In addition, the Federal Government in 1982 approved Nashville as a Foreign Trade Zone, a secured area supervised by the United States Custom Service, which provides for the storing of foreign merchandise without duty payments.

The CSX System, a major national railroad, serves Nashville. In addition, five major rail lines link Nashville to all major markets in the nation. Rail carriers interchange freight and cooperate in providing and extending transit privileges covering both dry and cold storage and the processing or conversion of materials.

A commuter rail service from Lebanon to Nashville, approximately 32 miles, known as the Music City Star commenced transportation services in the September of 2006. It is operated under the direction of the Regional Transportation Authority, a multi-county agency. The ticket price includes Metropolitan Transportation Authority ("MTA") bus service on circulator routes in the downtown area.

The Metropolitan Nashville Airport Authority (the "Airport Authority") owns Nashville International and John C. Tune airports. Nashville International Airport (the "Airport") is situated approximately eight miles from downtown Nashville. It is serviced by sixteen scheduled airlines. According to the Authority, approximately 8.7 million passengers used the airport in 2006. As of August, 2006, the Airport served 89 markets with an average of 400 arriving and departing flights per day. The 820,000 square foot Airport terminal has 61 air carrier gates and up to 78 commuter aircraft parking positions. The Airport has four runways of up to 11,000 feet, including parallels for simultaneous landings and takeoffs.

The Airport Authority also operates the John C. Tune Airport in the Cockrill Bend Industrial area west of Nashville. It serves the needs of regional corporate and private aircraft and allows Nashville International's air carrier traffic to flow with fewer constraints. Tune Airport also provides a pilot training environment and modern facilities for the transient and corporate operator.

The Metropolitan Transit Authority ("MTA") provides a comprehensive public transportation system covering the entire metropolitan area. In addition to regularly scheduled bus routes, MTA provides special transportation services for the handicapped and operates trolley cars in the downtown area for shoppers, tourists and downtown workers.

## **Construction**

Construction in Nashville is illustrated by the following table describing the number and value of building permits issued by the Department of Codes Administration of the Metropolitan Government. Construction has grown through most of the 1990's. In 2005, the Metropolitan Government saw a total dollar volume of permit activity at \$1.66 billion.

Calendar Year	Residential Construction		Non-Residential Construction		Repairs, Alterations and Installations		Other (1)		Total Permit Value
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	
1996	2,240	424,966,770	1,091	239,280,249	5,231	315,359,663	1,363	11,902,259	991,508,941
1997	2,240	376,003,886	1,036	492,917,275	5,307	271,749,797	1,504	10,417,506	1,151,088,464
1998	2,487	397,690,382	1,040	498,439,904	5,805	357,775,227	1,466	14,520,549	1,268,426,062
1999	2,686	508,776,654	1,206	697,396,351	4,740	397,754,933	1,455	18,187,549	1,622,115,487
2000	2,421	444,626,418	1,010	386,428,784	4,673	479,932,778	1,272	11,960,044	1,322,948,024
2001	2,975	521,311,880	896	354,527,042	4,146	336,595,779	1,179	14,962,413	1,227,397,114
2002	2,846	476,572,494	851	173,707,294	4,302	405,697,860	1,433	20,029,867	1,076,007,515
2003	3,207	536,278,115	693	279,867,295	4,531	356,979,647	1,222	20,013,372	1,193,138,429
2004	3,708	655,382,120	849	398,788,311	4,023	351,762,279	1,291	23,195,687	1,429,128,397
2005	3,794	747,525,151	865	428,627,829	4,431	462,950,966	1,434	24,073,860	1,663,177,806

(1) Includes moved residential buildings, house trailers, and the demolition of residential and non-residential buildings and sign & billboard permits.

Source: Metropolitan Government Department of Codes Administration

Of the seven major areas of office development in Nashville, the Central Business District (“CBD”) is by far the largest, with approximately 6.6 million square feet of leasable space. Office vacancy in the CBD at the end of the third quarter of 2006 was 10.1%, down five percentage points from the prior year. A new Class “A” office tower, SunTrust Tower, will house SunTrust Bank, adding 340,000 square feet to the downtown office inventory. The building is currently under construction at the corner of Fourth Avenue and Commerce Street, with a scheduled delivery date of December 2007. The Metro Council recently approved the Crown building, a 28-story office and retail project that will be anchored by the Bass, Berry & Sims law firm at Demonbreun Street and Third Avenue South. The Crown will break ground in 2008 and will open by the end of 2009. The move of Nissan North America’s headquarters to the downtown area for two years will added 1,300 additional downtown employees and absorb over 200,000 square feet in the Bellsouth Tennessee headquarters facility on Commerce Street.

## Tourism

Tourism is a major industry in Nashville. The Convention and Visitors Bureau of the Nashville Area Chamber of Commerce estimates that more than 10.5 million tourists came to Nashville in 2005 and they spent approximately \$3.5 billion. Music, history, art and generous hospitality attract convention delegates and leisure visitors.

The Country Music Hall of Fame opened in downtown Nashville in May, 2001. The \$37 million facility is a striking architectural statement featuring music related icons both outside and inside the building. From a distance, the front façade of the building looks like a piano keyboard. The shape of the building is that of the musical notation for a bass clef. The conservatory entrance is available for after-hour events and spaces of varying sizes offer attractive event spaces. The new Hall of Fame features live entertainment daily with musical instruments demonstrations, songwriting sessions, performances each day at lunch and a live TV show each weekday afternoon.

Each year, the Country Music Association coordinates performances by more than 100 entertainers and groups. In 2001, the music festival, which is called the CMA Music Fest, moved to downtown Nashville. Attendance has steadily increased each year since then, with average estimates at 124,000 attendees annually.

Opry Mills is 1.1 million square foot megamall, which opened in May 2000. The mall contains 200 stores, theme restaurants, a multi-theater complex, an IMAX theater and Gibson Guitars Bluegrass instrument factory under glass. The mall hosts more than 12 million visits annually.

The downtown entertainment district features the Hard Rock Café, the Wild Horse Saloon, a concert hall, restaurant, dance hall and TV production facility. The Ryman Auditorium, a former home of the Grand Ole Opry, is known for outstanding acoustics. The Ryman has become a venue of choice by entertainers visiting Nashville and has twice been named Pollstar Magazine's venue of the year for the United States. A three block section of the downtown area; called lower Broadway, features bars and clubs known as Honky Tonks. These venues; housed in historic brick buildings, "no-cover-charge" live bands perform 16 hours a day, 7 days a week. The proximity of the Gaylord Entertainment Center and the Stadium to this entertainment district assures good crowds on event days.

The Grand Ole Opry is America's longest running live radio show. The Opry first broadcast in 1925 and the country music variety show now plays in a 4,400 seat theater. Each show features 10 to 20 acts or performers, is unrehearsed and draws fans from around the world.

The Gaylord Entertainment Center, formerly The Nashville Arena, is now in its ninth year of operation as a premier entertainment facility. The Gaylord Entertainment Center has hosted 750+ ticketed events since its opening and has recorded over \$200 million in gross sales. The Gaylord Entertainment Center is home of the Nashville Predators, an NHL team in its eighth season in Nashville.

The Tennessee NFL Stadium, now named LP Field, is the home of the 1999 AFC Champion and 2002 AFC South Division Champion Tennessee Titans and of the 1999 OVC Champion Tennessee State University Tigers. Now in its ninth year of operation, 100% of Titans season ticket packages are sold, and the Titans have played every game in the new facility in front of a sell-out crowd. LP Field seats 68,498 fans.

The Nashville MSA has more than 280 hotels and motels that feature more than 33,000 rooms. The Gaylord Opryland Resort and Convention Center is the third largest hotel/convention center under one roof in the United States. The complex features 2,884 hotel rooms, 300,000 square feet of exhibit space, and 300,000 square feet of meeting space.

Below is a history of hotel/motel rooms in Nashville MSA and percentage of occupancy from 1997 through 2006:

#### **HOTEL AND MOTEL ROOMS**

<u>Calendar Year</u>	<u>Rooms Available</u>	<u>Occupancy Rate</u>
1997	28,684	66.4 %
1998	30,122	61.9
1999	31,106	61.0
2000	32,385	59.9
2001	33,316	56.5
2002	33,474	56.9
2003	32,661	58.5
2004	32,727	60.7
2005	32,983	62.3
2006	33,052	66.2

Source: Nashville Conventions and Visitors  
Bureau

#### **Medical and Cultural Facilities**

Nashville is one of the nation's leaders in the healthcare field. HCA Healthcare has its headquarters and operates several hospitals in the surrounding area. Baptist Hospital, Vanderbilt University Medical Center, and St. Thomas Hospital are the city's other primary hospitals.

The Metropolitan Government relocated the city-owned hospital, the Metropolitan Nashville General Hospital, to Hubbard Hospital of Meharry Medical College in 1998. In addition, Meharry provides medical staff to the Metropolitan Nashville General Hospital. The arrangement provides the city with a renovated facility staffed with residents from Meharry Medical College.

A new downtown main library, with over 280,000 square feet, opened in the spring of 2001. With the downtown public library, its 20 community branches, the Vanderbilt University Library, and the libraries of other schools, Nashville offers a wide range of books and other materials for instruction, research and innovation.

The highly anticipated Schermerhorn Symphony Center, named in honor of the late Maestro Kenneth Schermerhorn who led the Nashville Symphony for 22 years, opened in September 2006. Home to the critically acclaimed Nashville Symphony, the Schermerhorn Symphony Center will play host to more than 100 classical, pops, and special concert events each season. In addition, the Nashville Symphony will present recitals, choral concerts, cabaret, jazz, and world music events. With the Schermerhorn Symphony Center's debut, the Tennessee Performing Arts Center, a State cultural facility in Downtown Nashville which contains a 2,442-seat concert hall, a 1,054 seat legitimate theater and a 300 seat flexible theater, is now able to feature a multitude of additional cultural events each year.

The Frist Center for the Visual Arts opened in the spring of 2001 in Nashville's historic downtown post office building. A public-private partnership between the Metropolitan Government, the Frist Foundation and the Dr. Thomas F. Frist, Jr. family, the Center contains more than 24,000 square feet of gallery space capable of showcasing major national and international visual arts exhibitions. The Frist Center does not intend to build a permanent art collection but will instead place special emphasis on education, arts-related programs for the school children of Nashville, and community outreach. The Center will give Nashville the ability to host significant art shows that have not exhibited here in the past.

The Tennessee State Museum, the Cheekwood Botanical Gardens and Fine Arts Center, The Tennessee Performing Arts Center, the Adventure Science Center, and the Parthenon supplement educational and cultural opportunities in the City.

The Parthenon is a full-scale replica of the original in Athens Greece. The reproduction was built to honor Nashville's reputation for education and has attracted visitors since 1897. The recently restored building features a 41' tall gilded statue of Athena. The Adventure Science Center and the Nashville Zoo provide opportunities for Nashville's adults and children to learn how science and wildlife affect their lives. The Adventure Science Center is undergoing expansion of the building which will feature a state-of-the-art Planetarium. The current Center features exhibits and programs which focus on geology, zoology, ecology, physics and other sciences. The Nashville Zoo is continuing its multi-year, multi-million dollar expansion program. The Zoo property is built around the historic Grassmere Home and features an ever-expanding display of animals from throughout the world.

## **MISCELLANEOUS**

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is made to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for the payment of the Bonds and the rights of the holders thereof.

The information contained in this Yearly Information Statement has been compiled from official and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed to be correct as of this date.

Any statements made in this Yearly Information Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representation of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Yearly Information Statement nor any sale of securities made using this Yearly Information Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Metropolitan Government since the date hereof.