

**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 accepted. 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 2003-2004 Capital Improvements Budget, which are given priority for funding by the Mayor and the Metropolitan Council for fiscal year 2003-2004 and the following five years.

#### CAPITAL IMPROVEMENTS BUDGET BY DEPARTMENT

Departments	% of '03-'04		2004-05	2005-06	2006-07	2007-08	2008-09	Total	% of '03-'09 Total
	2003-04	Total							
Board of Education	\$86,319	7.134%	\$61,928	\$51,699	\$39,854	\$40,031	\$38,338	\$318,169	8.545%
Codes Administration	1,755	0.145%	124	124	124	124	124	2,375	0.064%
Convention Center	737	0.061%	619	235	81	0	192	1,864	0.050%
Election Commission	350	0.029%						350	0.009%
Finance Department	239,392	19.784%	52,100	27,600	26,100	8,600	8,600	362,392	9.732%
Fire Department GSD	16,950	1.401%	6,100	6,100	6,000			35,150	0.944%
General Hospital	1,706	0.141%	2,000					3,706	0.100%
General Services	40,940	3.383%	15,981	12,472	9,270	9,500	1,200	89,363	2.400%
Historical Commission	4,075	0.337%						4,075	0.109%
Information Technology Srvc	24,826	2.052%	1,500	1,500				27,826	0.747%
Juvenile Court	100	0.008%						100	0.003%
MDHA	115,169	9.518%	116,636	78,800	51,450	50,000	25,000	437,055	11.737%
MTA	91,260	7.542%	44,128	3,978	4,325	4,131	3,366	151,187	4.060%
Municipal Auditorium	610	0.050%	930	200				1,740	0.047%
Nashville Electric Service	57,500	4.752%	64,950	70,000	70,000	71,000	70,000	403,450	10.835%
Parks & Rec Dept	95,742	7.912%	34,482	34,482	35,482	30,063	18,126	248,376	6.670%
Planning Department	0	0.000%	2,000					2,000	0.054%
Police Department	6,066	0.501%	2,200	10,262				18,527	0.498%
Public Library Board	12,096	1.000%	5,485	11,596	4,707	3,180	2,900	39,964	1.073%
Public Works GSD	272,777	22.543%	186,555	204,660	103,047	87,745	73,471	928,255	24.929%
Public Works USD	38,114	3.150%	9,241	9,863	3,705	3,525	3,525	67,973	1.825%
Social Services	75	0.006%	525	876	600	100		2,176	0.058%
Sports Authority	7,215	0.596%	20	20	20	20	20	7,315	0.196%
Water & Sewerage Services	93,228	7.705%	113,750	106,184	110,649	104,077	6,625	534,513	14.355%
Stormwater Div - GSD	2,695	0.223%	5,945	5,895	6,675	8,175		29,385	0.789%
Stormwater Div - USD	350	0.029%	1,000	1,500	2,000	1,500		6,350	0.171%
<b>Totals</b>	<b>\$1,210,045</b>		<b>\$728,197</b>	<b>\$638,045</b>	<b>\$474,088</b>	<b>\$421,771</b>	<b>\$251,487</b>	<b>\$3,723,635</b>	

\* \$ in 000s

## 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 for the past five years are available on the Metropolitan Government's web site at [http://www.nashville.gov/finance/Financial\\_Operations/FinOps\\_CAFR2003.htm](http://www.nashville.gov/finance/Financial_Operations/FinOps_CAFR2003.htm).

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 Government reports the following major proprietary fund:

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.

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 printing, fleet maintenance, data processing, radio maintenance, postal services, facilities maintenance, treasury management, and insurance.

**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, 2003, Property Taxes accounted for 52.4% of all revenues available to the GSD General Fund and for GSD Debt Service; 80.3% of all revenues available to the USD General and Debt Service Funds; 38.8% of revenues available to the Schools funds, including Debt Service; and 0.39% of revenues available to the Other Governmental Funds. Sales tax collections totaled \$230.6 million in the fiscal year ended June 30, 2003. 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 enforcements 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. The following table is a statement of the composition of rates of tax levy for the last ten fiscal years.

### THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY ANALYSIS OF THE COMPOSITION OF RATES OF TAX LEVY Ten Year Summary

Fiscal Year	General Services District					Urban Services District		
	Total GSD Rate	GSD General Fund	General Purpose School Fund	GSD Debt Service Fund	School Debt Service Fund	Total USD Rate	USD General Fund	USD Debt Service Fund
1993-94 <sup>(1)(2)</sup>	\$ 3.38	\$ 1.83	\$ 1.01	\$ 0.43	\$ 0.11	\$ 1.12	\$ 0.99	\$ 0.13
1994-95	3.38	1.83	1.01	0.43	0.11	1.12	0.99	0.13
1995-96 <sup>(3)</sup>	3.38	1.79	1.01	0.47	0.11	1.12	1.00	0.12
1996-97	3.38	1.79	1.01	0.47	0.11	1.12	1.00	0.12
1997-98 <sup>(4)</sup>	3.17	1.59	0.96	0.49	0.13	0.95	0.84	0.11
1998-99 <sup>(5)</sup>	3.29	1.58	0.96	0.50	0.25	0.95	0.84	0.11
1999-00	3.29	1.58	0.96	0.50	0.25	0.95	0.84	0.11
2000-01	3.29	1.58	0.96	0.50	0.25	0.95	0.84	0.11
2001-02 <sup>(6)</sup>	3.75	1.88	1.24	0.43	0.20	0.83	0.73	0.10
2002-03 <sup>(7)</sup>	3.75	1.85	1.27	0.43	0.20	0.83	0.73	0.10

Tax rates are per \$100 of assessed valuation. Payments may be made in two equal installments, the first not later than October 31<sup>st</sup> in the year of assessment and levy, the second by February 28th of the following year without penalty.

- (1) In fiscal year 1993-94, the combined GSD-USD tax rate was reduced from \$4.81 to \$3.76 per \$100 of assessed value. Also, the levy for fire protection service was changed from \$.16 to \$.12 per \$100 assessed valuation in fiscal year 1993-94. The reduction in the rates of tax levy between fiscal year 1993 and fiscal year 1994 was the result of a State mandated reappraisal valuation of property in Davidson County. Such rate reduction, when applied against the reappraised valuation of all taxable property, could not result in a material increase in property tax revenues to the Metropolitan Government when compared with the revenues of the immediately preceding fiscal year. Subsequent to the rate reduction for reappraisal the property tax rate was increased to \$4.50.
- (2) Beginning in fiscal year 1993-94, the School Debt Service Fund was included in those funds which receive property tax Revenue.
- (3) In fiscal year 1995-96, the GSD and USD property tax rate was reallocated among the funds receiving property tax revenue.
- (4) In fiscal year 1997-98, the combined GSD-USD tax rate was reduced from \$4.50 to \$3.58 per \$100 of assessed value. Also, the levy for fire protection service was changed from \$.12 to \$.10 per \$100 assessed valuation in fiscal year 1997-98. The reduction in the rates of tax levy between fiscal year 1997-98 was the result of a State mandated reappraisal valuation of Property in Davidson County. Also, in fiscal year 1997-98, the combined GSD-USD tax rate was increased from \$3.58 to \$4.12 per \$100 of assessed value. The net reduction in the fiscal year 1997-98 GSD-USD tax rate was from \$4.50 to \$4.12.
- (5) 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.
- (6) In fiscal year 2001-02, the combined GSD-USD tax rate was reduced from \$4.24 to \$3.84 per \$100 of assessed value. Also, the levy for fire protection service was changed from \$.10 to \$.09 per \$100 assessed valuation in fiscal year 2001-02. The reduction in the rates of tax levy between fiscal year 2001-02 was the result of a State mandated reappraisal valuation of property in Davidson County. Also, in fiscal year 2001-02, the combined GSD-USD tax rate was increased from \$3.84 to \$4.58 per \$100 of assessed value. The net increase in the fiscal year 2001-02 GSD-USD tax rate was from \$4.24 to \$4.58.
- (7) In fiscal year 2002-03, the GSD property tax rate was reallocated among the funds receiving property tax revenue.



## 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 Nashville, there are approximately 5,513 tax-exempt parcels. For the current fiscal year, the excluded properties of the Electric Power Board of the Metropolitan Government amounted to an assessed valuation of \$473,501,262 and the exempt properties of the Industrial Development Board of the Metropolitan Government amounted to an assessed valuation of \$36,038,200 for which a tax equivalent was paid by both to the Metropolitan Government on the basis of the actual rates of tax levy.

## 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, and in 2001. The 2001 values will be in place until completion of the 2005 reappraisal. Those values will be published in the spring of 2005 and will reflect current market values.

## 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 OF NASHVILLE AND DAVIDSON COUNTY ANALYSIS OF TAX LEVIES AND COLLECTIONS

Unaudited  
Ten Year Summary

Fiscal Year	Amount GSD Levy	Amount USD Levy	Total Tax Levied	Uncollected at End of the Fiscal Year	Percentage Uncollected
1993-94	\$ 261,672,066	\$ 62,007,102	\$ 323,679,168	\$ 15,115,451	4.67 %
1994-95	266,673,700	62,080,249	328,753,949	9,983,997	3.04
1995-96	271,538,720	62,353,526	333,892,246	9,577,285	2.87
1996-97	279,911,056	63,745,322	343,656,378	10,220,782	2.97
1997-98	340,884,594	69,379,882	410,264,476	14,191,035	3.46
1998-99	361,873,598	71,169,667	433,043,265	15,815,445	3.65
1999-00	368,281,927	72,001,424	440,283,351	15,885,751	3.61
2000-01	378,375,194	73,652,420	452,027,614	15,936,299	3.50
2001-02	504,508,539	75,845,541	580,354,080	22,354,504	3.85
2002-03	508,874,943	74,889,899	583,764,842	22,789,334	3.90

The following table shows the status of the property taxes remaining to be collected at June 30, 2003.

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

June 30, 2003					
	Year of Levy	Realty	Personalty	Public Utility	Total
General Services District	2002	\$ 15,300,808	\$ 3,057,311	\$ 1,274,554	\$ 19,632,673
	2001	2,715,652	2,070,342	372,715	5,158,709
	2000	915,049	1,208,491	240,544	2,364,084
	1999	758,598	844,722	774,293	2,377,613
	1998	233,274	976,654	908,897	2,118,825
	1997	173,169	778,576	45,584	997,329
	1996	71,392	795,568	55,248	922,208
	1995	41,121	445,222	39,651	525,994
	1994	35,765	176,359	14,181	226,305
	1993	4,540	359,516	32,412	396,468
	1992	79,076	416,718	61,715	557,509
Total General Services District		<u>20,328,444</u>	<u>11,129,479</u>	<u>3,819,794</u>	<u>35,277,717</u>
Urban Services District	2002	2,354,971	530,656	271,034	3,156,661
	2001	490,086	375,024	74,774	939,884
	2000	184,590	306,597	67,231	558,418
	1999	151,310	213,728	192,990	558,028
	1998	62,361	231,343	221,865	515,569
	1997	39,981	191,790	7,415	239,186
	1996	19,565	231,067	11,916	262,548
	1995	12,299	137,545	8,995	158,839
	1994	11,155	297,241	4,219	312,615
	1993	823	100,099	10,041	110,963
	1992	29,743	137,920	22,375	190,038
Total Urban Services District		<u>3,356,884</u>	<u>2,753,010</u>	<u>892,855</u>	<u>7,002,749</u>
Total Delinquent Property Taxes Receivable <sup>(1)</sup>		<u>\$ 23,685,328</u>	<u>\$ 13,882,489</u>	<u>\$ 4,712,649</u>	<u>\$ 42,280,466</u>

<sup>(1)</sup> Excludes 2003 Property Tax Levy

## Principal Taxpayers

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

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

December 31, 2002

Unaudited

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2002 Assessed Valuation</u>	<u>% of Total 2001 Assessed Valuation</u>	<u>Amount of Tax</u>	<u>% of Total Levy</u>
Electric Power Board	Utility	\$ N/A	N/A %	\$ 17,997,391	3.08 %
Gaylord	Music, Entertainment and Hotel	283,333,838	2.10	10,681,645	1.83
BellSouth	Communications	183,630,217	1.36	8,229,794	1.41
Columbia/HCA	Health Facilities Management	102,365,222	0.76	4,604,707	0.79
CBL & Associates	Mall Management	102,966,354	0.76	4,384,540	0.75
Piedmont Natural Gas Company	Utility	88,305,400	0.65	3,885,040	0.67
PREFCO XIV Ltd.	Communications	58,415,390	0.43	2,763,048	0.47
Opry Mills Co.	Retail Management	68,960,000	0.51	2,648,064	0.45
BEL-EQR	Commercial Development	49,465,808	0.37	2,265,534	0.39
E. I. Dupont	Manufacturing and Processing	<u>49,228,646</u>	<u>0.37</u>	<u>1,890,380</u>	<u>0.32</u>
		<u>\$ 986,670,875</u>	<u>7.31 %</u>	<u>\$ 59,350,143</u>	<u>10.16 %</u>

## FUND HISTORIES

### GENERAL FUND – FIVE YEAR SUMMARY THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY GENERAL FUND <sup>(1) (2) (3)</sup>

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

	Years Ended June 30				
	2003	2002	2001	2000	1999
<b>REVENUES:</b>					
Property taxes	\$ 337,920,726	\$ 340,182,082	\$ 266,534,541	\$ 255,958,467	\$ 250,095,609
Local option sales tax	76,182,263	75,486,161	78,323,804	78,072,027	74,452,947
Other taxes, licenses and permits	75,176,573	75,699,531	78,457,620	77,221,770	73,304,945
Fines, forfeits and penalties	10,534,610	9,197,437	9,886,470	11,623,769	11,382,032
Revenue from use of money of property	1,123,885	1,793,043	2,634,827	2,435,785	3,960,366
Revenue from other governmental agencies	94,232,379	93,569,510	93,730,534	96,819,242	98,164,129
Commissions and fees	18,953,278	14,356,454	13,516,675	13,756,439	14,577,828
Charges for current services	21,730,596	20,969,793	19,681,031	18,924,947	18,433,071
Compensation for loss, sale or damage to property	5,493,793	1,303,830	1,313,367	1,301,870	1,800,520
Contributions and gifts	556,455	443,000	844,515	720,840	-
Miscellaneous	613,045	547,519	774,285	1,580,231	1,731,687
	<b>642,517,603</b>	<b>633,548,360</b>	<b>565,697,669</b>	<b>558,415,387</b>	<b>547,903,134</b>
<b>EXPENDITURES</b>					
General government	32,549,058	27,660,246	23,780,866	23,575,104	24,269,182
Fiscal administration	20,323,270	19,765,287	17,128,581	15,835,754	18,309,022
Administration of justice	45,794,670	43,163,240	39,377,240	41,327,826	39,563,106
Law enforcement and care of prisoners	169,148,228	159,551,996	140,935,478	140,897,348	147,489,469
Fire prevention and control	86,043,913	79,073,811	67,145,761	68,744,162	68,780,838
Regulation and inspection	7,006,740	7,177,920	5,890,959	6,211,955	6,849,852
Conservation of natural resources	311,037	319,543	354,787	300,301	292,287
Public welfare	12,709,251	12,554,567	12,758,996	16,941,661	16,519,502
Public health and hospitals	72,191,199	68,431,324	28,794,563	27,810,992	27,388,492
Public library system	17,795,337	16,237,004	11,815,438	10,275,471	9,882,149
Public works, highway and street	27,117,716	30,688,707	30,886,707	32,731,146	36,271,472
Recreational and cultural	31,793,123	30,305,628	27,826,667	27,751,742	27,709,921
Employee benefits	51,520,203	46,876,942	44,796,706	43,186,268	41,326,087
Miscellaneous	34,573,313	33,791,687	12,533,657	10,979,389	5,821,492
	<b>608,877,058</b>	<b>575,597,902</b>	<b>464,026,406</b>	<b>466,569,119</b>	<b>470,472,871</b>
Excess (Deficiency) of revenues over expenditures	33,640,545	57,950,458	101,671,263	91,846,268	77,430,263
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	10,379,911	9,884,702	9,164,813	10,961,503	11,682,853
Transfers out	(74,403,443)	(58,397,575)	(98,980,994)	(93,704,718)	(89,539,224)
Total other financing sources (uses)	<b>(64,023,532)</b>	<b>(48,512,873)</b>	<b>(89,816,181)</b>	<b>(82,743,215)</b>	<b>(77,856,371)</b>
Net change in fund balance	(30,382,987)	9,437,585	11,855,082	9,103,053	(426,108)
FUND BALANCE, beginning of year	109,488,239	100,050,654	88,195,572	57,969,671	58,395,779
FUND BALANCE, end of year	<b>\$ 79,105,252</b>	<b>\$ 109,488,239</b>	<b>\$ 100,050,654</b>	<b>\$ 67,072,724</b>	<b>\$ 57,969,671</b>

<sup>(1)</sup> For fiscal year 2001, beginning fund balances was restated due to GASB 33, Accounting and Reporting for Non-exchange Transactions.

<sup>(2)</sup> For fiscal year 2002, funds are stated according to GASB 34.

<sup>(3)</sup> Certain numbers have been re-classified for comparative purposes.

**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				
	2003	2002	2001	2000	1999
<b>REVENUES:</b>					
Property taxes	\$ 171,053,586	\$ 165,634,153	\$ 111,206,690	\$ 110,610,784	\$ 109,211,904
Local option sales tax	137,212,657	139,791,405	141,948,976	142,681,260	135,799,771
Other taxes, licenses and permits	18,564,004	18,070,949	19,239,743	34,764,271	26,395,401
Fines and costs	3,656,688	2,426,296	2,859,655	4,289,185	3,370,377
Revenue from the use of money or property	2,507,766	3,062,711	5,113,227	5,486,721	4,801,730
Revenue from other governmental agencies	246,032,628	233,889,778	214,255,669	203,788,422	231,550,400
Charges for current services	22,032,772	27,098,099	27,514,419	30,896,363	28,404,978
Compensation for loss, sale or damage to property	2,007,850	1,185,638	1,507,523	753,891	1,104,051
Grants, contributions and gifts	7,450,419	8,786,548	8,605,279	8,563,416	7,213,169
Miscellaneous	96,994	23,481	79,984	36,895	11,573
<b>Total revenues</b>	<b>610,615,364</b>	<b>599,969,058</b>	<b>532,331,165</b>	<b>541,871,208</b>	<b>547,863,354</b>
<b>EXPENDITURES</b>					
Personal services	458,369,374	433,109,794	400,294,114	394,251,712	373,743,668
Contractual services	86,071,527	67,471,741	51,073,832	72,260,861	73,329,000
Supplies	62,065,751	56,752,972	47,929,718	38,121,002	36,462,793
Other	11,064,983	35,983,659	36,594,898	14,983,548	16,633,134
Capital outlay	15,630,797	6,546,573	6,212,752	15,215,722	68,108,787
<b>Total expenditures</b>	<b>633,202,432</b>	<b>599,864,739</b>	<b>542,105,314</b>	<b>534,832,845</b>	<b>568,277,382</b>
Excess (deficiency) of revenues over expenditures	(22,587,068)	104,319	(9,774,149)	7,038,363	(20,414,028)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	67,878,539	53,370,027	46,775,915	50,128,437	39,158,219
Transfers out	(29,405,040)	(23,486,848)	(29,795,569)	(38,188,832)	(39,092,487)
<b>Total other financing sources (uses)</b>	<b>38,473,499</b>	<b>29,883,179</b>	<b>16,980,346</b>	<b>11,939,605</b>	<b>65,732</b>
<b>Net change in fund balance</b>	<b>15,886,431</b>	<b>29,987,498</b>	<b>7,206,197</b>	<b>18,977,968</b>	<b>(20,348,296)</b>
<b>FUND BALANCE, beginning of year, as restated</b>	<b>147,199,062</b>	<b>117,211,566</b>	<b>109,968,273</b>	<b>100,677,848</b>	<b>121,010,530</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 163,085,493</b>	<b>\$ 147,199,064</b>	<b>\$ 117,174,470</b>	<b>\$ 119,655,816</b>	<b>\$ 100,662,234</b>

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

**DEBT SERVICE FUNDS – FIVE YEAR SUMMARY**  
**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**  
**DEBT SERVICE FUNDS <sup>(1) (2) (3)</sup>**

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

	Years Ended June 30				
	2003	2002	2001	2000	1999
<b>REVENUES:</b>					
Property taxes	\$ 92,149,286	\$ 92,583,740	\$ 93,121,235	\$ 89,467,041	\$ 87,689,394
Local option sales tax	17,184,734	16,429,787	16,930,017	16,439,343	14,745,540
Commissions and fees	-	2,319,945	5,892,842	50,000	-
Revenue from the use of money of property	2,514,827	4,489,644	3,878,324	5,651,070	4,436,985
Revenue from other governmental agencies	6,188,089	17,573,817	897,489	4,171,045	4,113,196
Compensation for loss, sale or damage to property	-	-	1,500,050	-	-
<b>Total revenues</b>	<b>118,036,936</b>	<b>133,396,933</b>	<b>122,219,957</b>	<b>115,778,499</b>	<b>110,985,115</b>
<b>EXPENDITURES</b>					
Contractual services <sup>(4)</sup>	1,316,019	1,346,732	-	-	-
Principal retirement	77,865,000	68,255,000	56,825,000	51,925,000	51,530,000
Interest	58,207,564	63,448,704	49,834,336	59,563,984	53,182,744
Fiscal charges	303,552	474,195	457,179	427,424	28,286
Refunding bond issue costs	-	-	-	-	91,252
Bond issue costs <sup>(4)</sup>	829,906	-	-	-	-
Arbitrage rebate <sup>(4)</sup>	825,742	227,646	-	-	-
<b>Total expenditures</b>	<b>139,347,783</b>	<b>133,752,277</b>	<b>107,116,515</b>	<b>111,916,408</b>	<b>104,832,282</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(21,310,847)</b>	<b>(355,344)</b>	<b>15,103,442</b>	<b>3,862,091</b>	<b>6,152,833</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of refunding bonds, net of discount	108,690,000	74,193,796	73,745,000	-	7,355,000
Payments to refunded bond escrow agent	(112,805,846)	(87,228,769)	(77,885,410)	-	(7,377,668)
Bond issue premium (discount)	5,608,303	1,323,046	4,620,921	-	56,061
Transfers in	19,601,122	16,788,988	24,333,599	31,038,063	26,296,610
Transfers out	-	-	(3,567,645)	(10,896,029)	(6,438,404)
<b>Total other financing sources (uses)</b>	<b>21,093,579</b>	<b>5,077,061</b>	<b>21,246,465</b>	<b>20,142,034</b>	<b>19,891,599</b>
<b>Net change in fund balance</b>	<b>(217,268)</b>	<b>4,721,717</b>	<b>36,349,907</b>	<b>24,004,125</b>	<b>26,044,432</b>
<b>FUND BALANCE, beginning of year, restated</b>	<b>166,541,256</b>	<b>161,819,538</b>	<b>125,469,631</b>	<b>111,670,929</b>	<b>85,626,497</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 166,323,988</b>	<b>\$ 166,541,256</b>	<b>161,819,538</b>	<b>\$ 135,675,054</b>	<b>\$ 111,670,929</b>

<sup>(1)</sup> Includes the Correctional Facility Revenue Bonds.

<sup>(2)</sup> Also includes the Sports Authority Stadium and Arena Revenue Bonds.

<sup>(3)</sup> Certain numbers have been re-classified for comparative purposes.

<sup>(4)</sup> Line item was added beginning FY2002.

## DEBT CALCULATIONS

### COMPUTATION OF NET GENERAL OBLIGATION DEBT

June 30, 2003

Gross General Obligation Debt		
General Obligation Bonds Payable		
General Services District:		
For School Purposes	\$ 379,575,599	
For General Purposes	637,517,787	
Urban Services District:		
For General Purposes	<u>97,896,614</u>	
Total Gross General Obligation Debt		\$ 1,114,990,000
Less:		
Amounts Available In Debt Service Funds		
General Services District:		
For School Purposes	80,738,228	
For General Purposes	69,768,091	
Urban Services District:		
For General Purposes	<u>13,230,403</u>	
Total Amounts Available In Debt Service Funds <sup>(1)</sup>		163,736,722
Debt Payable From Other Sources		
Hotel Occupancy Tax <sup>(1)</sup>		
Convention Center Project:		
G.O. Refunding Bonds of 1993	13,721,195	
G. O. Multi-Purpose Improvement Bonds, Series 1997A	<u>3,841,486</u>	
Total Debt Payable From Other Sources		<u>17,562,681</u>
Net General Obligation Debt		<u><u>\$ 933,690,597</u></u>

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

## DEBT RATIOS

As of June 30, 2003

Total Debt		
Debt to Estimated Market Value		2.59%
Debt to Assessed Value		8.28%
Debt per Capita	\$	1,952.01

Net Debt		
Debt to Estimated Market Value		2.17%
Debt to Assessed Value		6.94%
Debt per Capita	\$	1,634.61

The above table is based upon:

Estimated Market Value	\$	42,988,853,105
Assessed Value	\$	13,463,419,000
Population <sup>(1)</sup>		571,200

## CALCULATION OF SELF-SUPPORTING DEBT

As of June 30, 2003

Hotel Occupancy Tax:		As of
Convention Center Project <sup>(2)</sup>		June 30, 2003
G.O. Refunding Bonds of 1993	\$	13,721,195
G.O. Multi-Purpose Improvement Bonds, Series 1997A		3,841,486
	\$	<u>17,562,681</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.

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
1994	523,000	\$ 7,645,927	\$ 473,283,540	\$ 77,566,919	\$ 43,981,255	\$ 351,735,366	4.60 %	\$ 672.53
1995	525,700	7,809,223	693,075,000	68,292,173	41,294,896	583,487,931	7.47	1,109.93
1996	530,000	7,949,117	733,955,000	70,330,323	40,711,969	622,912,708	7.84	1,175.31
1997	536,700	8,192,587	792,420,000	70,552,736	36,978,998	684,888,266	8.36	1,276.11
1998	538,800	10,647,934	908,095,000	79,899,351	39,815,699	788,379,950	7.40	1,463.21
1999	541,500	10,895,718	1,038,960,000	103,509,799	35,728,961	899,721,240	8.26	1,661.54
2000	539,500	11,087,336	989,705,000	120,991,318	31,507,203	837,206,479	7.55	1,551.82
2001	576,000	11,390,200	1,196,320,000	156,401,726	26,938,984	1,012,979,290	8.89	1,758.64
2002	582,500	13,373,373	1,187,245,000	162,065,583	22,359,946	1,002,819,471	7.50	1,721.58
2003	571,200	13,463,419	1,114,990,000	163,736,722	17,562,681	933,690,597	6.94	1,634.61

<sup>(1)</sup> Source: Population for 1994-2003 provided by Nashville Area Chamber of Commerce end of calendar year estimates.

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, 2003

Secured by Ad Valorem Taxes

Year Ending June 30	GSD		USD	Total GSD and USD
	School Purposes	General Purposes	General Purposes	
2004	\$ 42,920,654	\$ 75,102,109	\$ 16,094,063	\$ 134,116,826
2005	41,885,549	74,438,540	15,946,784	132,270,873
2006	40,663,929	74,344,660	15,914,143	130,922,732
2007	38,014,094	62,106,144	12,824,149	112,944,387
2008	35,971,357	59,028,130	12,294,400	107,293,887
2009	33,285,949	52,222,862	8,177,605	93,686,416
2010	30,957,466	50,723,303	8,179,239	89,860,008
2011	29,829,338	49,172,985	7,622,044	86,624,367
2012	28,633,158	42,810,069	6,650,908	78,094,135
2013	27,764,985	41,083,327	5,958,709	74,807,021
2014	26,166,345	40,500,195	4,962,552	71,629,092
2015	24,926,207	40,080,461	4,687,045	69,693,713
2016	29,071,613	43,008,491	1,758,338	73,838,442
2017	25,337,388	39,875,224	1,464,188	66,676,800
2018	18,424,340	27,681,523	-	46,105,863
2019	18,528,056	24,109,776	-	42,637,832
2020	11,656,728	24,199,272	-	35,856,000
2021	10,240,856	23,544,575	-	33,785,431
2022	10,247,538	22,822,003	-	33,069,541
2023	10,255,380	22,821,086	-	33,076,466
2024	10,261,332	22,819,234	-	33,080,566
2025	10,270,352	22,820,104	-	33,090,456
2026	1,957,808	13,092,792	-	15,050,600
2027	1,953,446	7,782,495	-	9,735,941
2028	1,946,936	7,771,311	-	9,718,247
2029	-	5,531,981	-	5,531,981
2030	-	5,526,356	-	5,526,356
	561,170,804	975,019,008	122,534,167	1,658,723,979
Deferred Costs	(1,875,369)	(1,283,848)	(3,019,038)	(6,178,255)
	<u>\$ 559,295,435</u>	<u>\$ 973,735,160</u>	<u>\$ 119,515,129</u>	<u>\$ 1,652,545,724</u>

## **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. The pool is managed in a way that allows it to maintain a constant net asset value of \$1.00. The average maturity of the portfolio is monitored and managed so that changing interest rates will cause only minimal deviations in the net asset value. 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 1973, 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, 2003, approximately \$9.877 million and \$3.285 million respectively, to pay approximately 42% of the authority's operating expenses. The State directs revenues from a two cents 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 \$58,027,739 to date on improvements of the transit system since 1973.

## **DISTRICT ENERGY SYSTEM OVERVIEW**

The Metropolitan Government's new District Energy System (DES) began operations in December 2003. DES is a district heating and cooling system that provides steam and chilled water to 38 buildings in the downtown Metropolitan Nashville area for the purpose of general heating and air conditioning. DES is managed by Constellation Energy Source (CES) of Baltimore, MD. CES 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 new District Energy System and the site on which the new facility is located. The Metropolitan Government also owns the former energy generating facility, known as Nashville Thermal Transfer Corporation (NTTC), and the site located on approximately ten acres in downtown Nashville. NTTC has ceased operations and is scheduled for demolition which should be completed by October 2004.

The primary components of the new 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. The annual debt service for these bond issues is approximately \$7.4 million through 2018 and approximately \$5.5 million thereafter until 2026.

### **PENSION PLANS**

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 are to be funded by annual contributions of employees and employers under the Metropolitan 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 benefits under Division A & B 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 of 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 General Long-term Debt Account Group. Now that the Metropolitan Plans are being funded actuarially (taking into account prior shortfalls) and the Closed Plans are declining in importance, the liability established in prior years is declining rapidly.

The following summary states (in thousands) the unfunded pension benefit obligation (as defined in Statement No. 5 of the Government Accounting Standards Board) for all of the following plans as of the most recent actuarial valuations.

	(In Thousands of Dollars)
<b>City County Plans (as of June 30, 2003)</b>	
The Metropolitan Employee Benefit System	\$ (20,860)
The Davidson County Employees' Retirement Fund	\$ (11,096)
The Civil Service Employees' Pension and Police and Firemen Pension Funds	\$ (16,991)
City County Plans reported as shown in CAFR at June 30, 2003.	

<b>Board of Education Plans (as of June 30, 2003)</b>	
The Teachers' Civil Service and Pension Fund (Nashville City Teachers)	\$ ( 7,188)
The Employees' Pension and Insurance Fund (Davidson County)	\$ ( 337)
The Metropolitan Board of Education Teacher Retirement Plan	\$ 49,146
Board of Education reported as shown in CAFR at June 30, 2003.	

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 notes to the Basic Financial Statements attached hereto as Appendix A.

## PUBLIC EMPLOYEES' REPRESENTATION

As of June 30, 2003, the Metropolitan Government and Metropolitan Board of Education employed approximately 22,840 persons of whom approximately 9,389 worked full-time for the MBE and 9,426 worked full time for the Metropolitan Government. Appropriately 93% of the sworn personnel of the Fire Department are members of Local No. 763 of the International Association of Firefighters, and approximately 88% of the sworn personnel of the Police Department are members of the Fraternal Order of Police. Of those employed by the MBE, approximately 49% of the teaching employees are members of the Metropolitan Nashville Education Association (the "MNEA"); 40% of the remaining non-teaching employees are members of the Service Employees International Union; and 9% 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 ("Nashville"), 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. 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

Unaudited

Area	1980	1990	% Change 1980-1990	2002	Estimated 2003	% Change 1990-2003
Nashville/Davidson <sup>(1)</sup>	477,811	510,786	6.9%	570,785	571,233	11.8%
MSA <sup>(1)</sup>	850,505	985,026	15.8	1,270,520	1,290,592	31.0
State <sup>(1)</sup>	4,591,120	4,890,640	6.2	5,797,289	5,852,062	19.7
United States <sup>(2)</sup>	226,545,805	248,709,925	9.8	288,368,698	291,905,824	17.4

Source: Population is from the U. S. Department of Commerce, Bureau of the Census except for "Estimated 2003" which are from the following sources:

<sup>(1)</sup> Nashville/Davidson, MSA and State estimates for 2003 are from projections based on existing population and growth rates.

<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

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Nashville MSA	21,736	22,743	23,983	25,429	26,015	26,879	28,598	29,973	31,599	32,338
Davidson County	23,444	24,653	25,983	27,746	28,483	29,180	31,638	33,336	35,158	36,394
Tennessee	18,707	19,541	20,426	21,449	22,022	22,814	24,101	25,014	26,290	26,808
United States	20,960	21,539	22,340	23,255	24,270	25,412	26,893	27,880	29,760	30,413

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 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 1994 through 2003.

### NASHVILLE MSA EMPLOYMENT BY INDUSTRY (in thousands)

Industry	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	% Change 03 vs. 94
Manufacturing	92.0	92.9	89.1	88.5	88.7	89.2	88.3	84.6	79.9	78.4	- 14.8 %
Wholesale Trade	31.9	32.9	33.0	34.2	34.9	34.5	33.7	33.8	33.6	34.8	9.1
Retail Trade	65.8	69.0	71.9	74.4	76.8	78.9	81.0	79.1	75.9	77.5	17.8
Construction & Mining	26.1	28.1	30.3	31.9	32.8	33.8	34.9	32.8	31.8	33.5	28.4
Financial Activities	38.1	40.3	42.8	44.2	47.2	48.1	46.2	43.6	43.0	44.3	16.3
Professional & Business Services	54.1	58.7	62.8	67.3	73.9	82.5	88.2	86.2	86.6	82.4	52.3
Information	17.7	18.9	19.0	19.3	20.8	20.6	21.1	22.8	21.2	19.6	10.7
Government	75.4	76.2	77.9	80.7	82.5	84.4	85.8	87.2	87.7	89.4	18.6
Leisure & Hospitality	54.8	57.8	60.3	63.6	63.1	65.3	68.0	67.8	68.7	71.0	29.6
Trade, Transportation & Utilities	119.4	123.4	125.9	130.1	134.6	137.5	139.8	138.9	134.9	139.0	16.4
Total	575.3	598.2	613.0	634.2	655.3	674.8	687.0	676.8	663.3	669.9	16.4

Source: Bureau of Labor Statistics website.

Note: The Bureau of Labor Statistics converted from the 1987 Standard Industrial Classification System (SIC) to the 2002 North American Industry Classification System (NAICS) effective March 2003 with the release of the January 2003 data. The above chart was adjusted to the new format.

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
 TWENTY-FIVE LARGEST EMPLOYERS IN THE NASHVILLE MSA  
 (Excluding Government Agencies)**

Unaudited

	<u>Number of Employees</u>
1. Vanderbilt University and Medical Center*	13,601
2. HCA (including Tri-Star Health System)*	10,525
3. Saturn Corporation	7,609
4. Nissan Motor Manufacturing Corporation U.S.A.	6,500
5. Saint Thomas Health Services*	5,790
6. Gaylord Entertainment* (including Opryland Hotel and attractions)	4,950
7. Shoney's Incorporated*	3,670
8. Kroger Company*	3,350
9. CBRL Group Inc.* (Cracker Barrel and Logan's Roadhouse Restaurants)	3,275
10. Dell Computer Corporation	3,000
11. BellSouth	3,000
12. Bridgestone/Firestone*	2,900
13. Ingram Industries Incorporated*	2,880
14. Wal-Mart Stores Incorporated	2,645
15. Trane Company	2,550
16. United Parcel Service	2,445
17. Century II Staffing*	2,376
18. The Tennessean*	2,100
19. State Industries*	1,980
20. Maury Regional Hospital	2,015
21. O'Charley's Incorporated*	1,850
22. Whirlpool Corporation	1,800
23. A.O. Smith Water Products*	1,800
24. The Aerostructures Corporation*	1,707
25. PRIMUS Automotive Financial Services*	1,700

\*Indicates Corporate, U.S. Division, or Regional Headquarters.

Source: Nashville Area Chamber of Commerce, *Largest Employers in the Nashville MSA, 2001*

## 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 1994-2003.

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Davidson County	3.0 %	3.3 %	3.2 %	3.4 %	2.6 %	2.9 %	2.8 %	3.1 %	4.0 %	3.9 %
MSA	3.1	3.4	3.3	3.5	2.7	2.7	2.8	3.3	4.0	3.9
Tennessee	4.8	5.2	5.2	5.4	4.2	4.0	3.9	4.4	5.1	5.8
United States	6.1	5.6	5.4	4.9	4.5	4.2	4.0	4.7	5.8	6.0

Source: Bureau of Labor Statistics

## Investment and Job Creation

In 2002-2003, the Nashville Area Chamber of Commerce announced some 32 business relocations to the Nashville MSA and 86 expansions in manufacturing, distribution or office operations. 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 year, Asurion, Caremark, Louisiana-Pacific, and Clarcor have announced the relocation of their corporate headquarters to Nashville. Asurion, which provides specialty insurance and other marketing services to the wireless telecommunications industry, will be relocating from the Silicon Valley, bringing 575 jobs to Nashville. Caremark, a pharmaceuticals company that is ranked 267 on the Fortune 500 list, is relocating from Birmingham, AL; it will hire 50 employees. Louisiana-Pacific, a building supply firm, will relocate from Portland, OR and create 180 jobs in the Nashville area. Clarcor, a manufacturer of filtration products, will relocate from Rockford, IL and bring more than 50 jobs to the Nashville area.

## 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 2003-2004 school year, Nashville has 127 public schools, with 70,000+ students and 5,900 teachers. In addition, there are 56 independent schools, which are attended by over 17,000 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.

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  
2003-2004**

<u>Member</u>	<u>Office</u>	<u>Date Term Expires</u>
Pam Binkley Garrett	Chairperson	2004
Kathy Nevill	Vice-Chair	2006
Mebenin Awipi, MD	Member	2006
George Blue	Member	2006
Kathleen Harkey	Member	2006
Rev. Lisa Hunt	Member	2004
Edward T. Kindall	Member	2004
Christina Norris	Member	2004
George H. Thompson, III	Member	2004

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

**SCHOOL SYSTEM  
PUBLIC EDUCATION FACILITIES  
2003-2004**

<u>Educational Level</u>	<u>Number of Buildings</u>	<u>2003-2004 School Year Enrollment</u>
Elementary	69 <sup>(1)</sup>	29,236 (PK-4)
Middle	36 <sup>(2)</sup>	20,598 (5-8)
Senior	18 <sup>(3)</sup>	18,344 (9-12)
Special Education	3	2,582
Adult Center	1	-
 Total	 <u>127</u>	 <u>70,760</u>

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

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

<sup>(3)</sup> Includes four magnet schools and four alternative schools.

**SCHOOL SYSTEM  
PUBLIC SCHOOLS ENROLLMENT AND  
ATTENDANCE**

School Year	Enrollment <sup>(1)</sup>	Average Attendance
1994-1995.....	70,481	65,609
1995-1996.....	70,212	66,691
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

<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 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**

In 2003, an average of 78,400 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 a plant located just outside of Nashville that employs about 8,000 persons. The second largest, Saturn Corporation, has some 5,125 employees and is situated 30 miles to the south of Nashville, on the edge of the MSA.

## **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 \$15 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. Total retail trade for the Nashville MSA in 2002 was approximately \$16.9 billion.

## **Agriculture**

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

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 seventeen scheduled airlines. According to the Authority, in 2002 approximately 8 million passengers used the airport. As of January, 2003, the Airport served 86 markets with an average of 389 arriving and departing flights per day.

The 820,000 square foot Airport terminal has 46 air carrier gates and up to 46 narrow/wide body parking positions and 52 commuter 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 2001, the Metropolitan Government saw a total dollar volume of permit activity at \$1.08 billion.

### THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY CONSTRUCTION AND BUILDING PERMIT ACTIVITY

Unaudited  
Ten Year Summary

Calendar Year	Residential Construction		Non-Residential Construction		Repairs, Alterations and Installations		Other <sup>(1)</sup>		Total Permit Value
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	
1993	2,080	\$ 229,048,197	690	\$ 211,969,848	6,385	\$ 284,604,823	1,501	\$ 16,570,248	\$ 742,193,116
1994	2,038	269,904,628	962	451,157,419	5,979	308,124,028	1,545	9,524,180	1,038,710,255
1995	2,335	427,057,950	987	267,735,281	5,566	304,314,632	1,473	10,103,598	1,009,211,461
1996	2,241	425,145,645	1,091	239,280,249	5,231	315,359,663	1,363	11,902,258	991,687,815
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

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

Of the seven major areas of office development in Nashville, the Central Business District ("CBD") is by far the largest, with approximately 6 million square feet of leasable space. Office vacancy in the CBD at the end of the third quarter of 2003 was 13.1%. The Roundabout Plaza near Music Row Nashville is the most recent large office project. This project's completion, which is set for the summer of 2004, will add 225,000 square feet of Class A space to the market.

## 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 2001 and they spent \$2.9 billion. Music, history, art and generous hospitality attract convention delegates and leisure visitors.

The new 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.

Nashville's leadership convinced Fan Fair to relocate to downtown for their 2001 event. The Country Music Association coordinates performances by more than 100 entertainers and groups. There were major concerts at the Coliseum, smaller performances at Riverfront Park and the Bicentennial Mall and autograph sessions at the Nashville Convention Center. Attendance had been flat or declining for a number of years but the changes and new marketing efforts resulted in the highest attendance ever, totaling 124,000 aggregate attendance.

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. During the first year of operation, the mall counted 14 million visits.

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. The proximity of the Gaylord Entertainment Center and the Coliseum to the entertainment district assures good crowds on event days.

The Gaylord Entertainment Center, formerly the Nashville Arena, is now in its eighth 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 beginning its sixth season in Nashville.

The Tennessee NFL Stadium, now named the Coliseum, 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 sixth 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. The Coliseum seats 68,498 fans.

The Tennessee State Museum, the Cheekwood Botanical Gardens and Fine Arts Center, The Tennessee Performing Arts Center, the Adventure Science Museum, and the Parthenon supplement educational and cultural opportunities in the City. The Tennessee Performing Arts Center, a State facility in Downtown Nashville, contains a 2,442-seat concert hall, a 1,054 seat legitimate theater and a 300 seat flexible theater.

The Adventure Science Museum and the Nashville Zoo provide opportunities for Nashville's adults and children to learn how science and wildlife affect their lives. The Adventure Science Museum is undergoing an expansion of the building and their mission. It features exhibits and programs, which focus on geology, zoology, ecology, physics and other sciences. The Nashville Zoo is in the third year of a multi-year, multi-million dollar expansion program. The Zoo property is built around the historic Grassmere Home and features an ever-expanding display of reptiles, amphibians and birds from throughout the world.

Nashville has 175 hotels and motels that feature more than 32,000 rooms. The Gaylord Opryland Resort and Convention Center is one of the largest hotel/convention centers 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. In 2001, the Marriott at Vanderbilt opened 307 rooms.

Below is a history of hotel/motel rooms and percentage of occupancy from 1994 through 2003:

### HOTEL AND MOTEL ROOMS

<u>Calendar Year</u>	<u>Rooms Available</u>	<u>Occupancy Rate</u>
1994	20,300	74.3 %
1995	22,000	73.5
1996	24,121	72.0
1997	24,375	66.8
1998	26,500	62.7
1999	30,889	61.4
2000	31,642	60.5
2001	32,699	56.5
2002	32,998	57.1
2003	32,743	59.0

Source: Nashville Conventions and Visitors  
Bureau

### Medical and Cultural Facilities

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

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

In the spring of 2001, a new, larger downtown public library building, estimated at over 280,000 square feet was completed. During 2000, one branch library underwent major renovations; three branches were replaced with newer, larger buildings; and two additional branches were constructed. Each new branch has a size of 20,000 to 25,000 square feet. With the downtown public library, its 20 community branches (after renovations and new constructions), 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 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 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.

### 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.