



CITY OF MEMPHIS

FISCAL YEAR 2012

BUDGET OVERVIEW

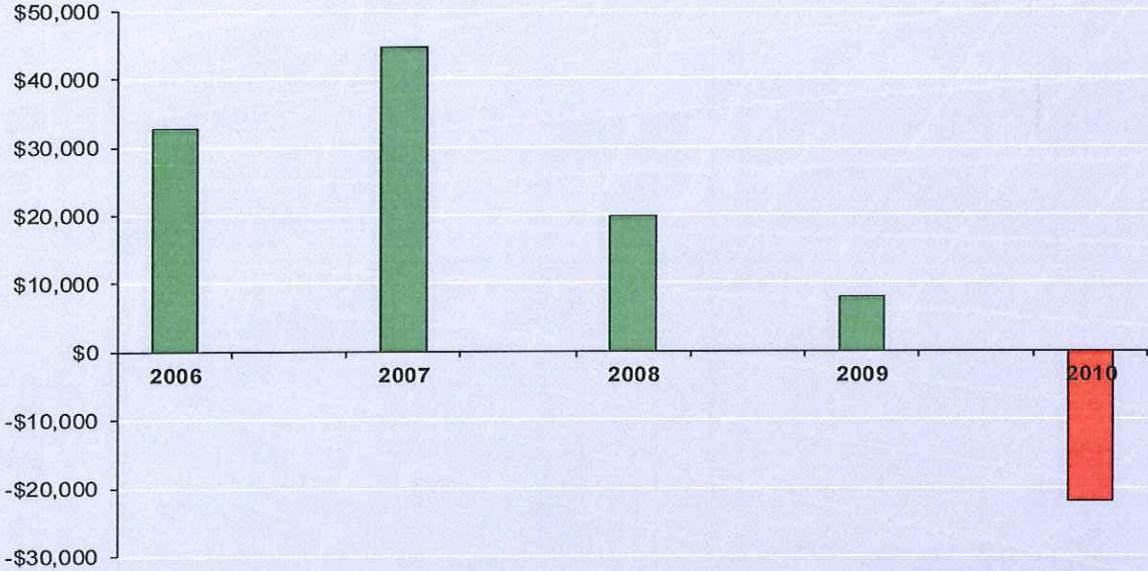
Introduction

- **5 Year Results Operating Trend**
- **Guiding Principles**
- **Strategic Priorities**



General Fund

5 Year Trend Operating Results



	2006	2007	2008	2009	2010
Revenues and Transfers In	547,131	552,546	565,558	605,444	606,521
Expenditures and Transfers Out	514,403	507,965	545,840	597,399	628,554
Net Change in Fund Balance	\$32,728	\$44,581	\$19,718	\$8,045	(\$22,033)*

Includes Memphis School Board funding from General Fund of \$40 million



Guiding Principles for the FY 2012 Operating Budget

1. The City's operating budget shall be balanced based on anticipated revenues and planned expenditures without the use of reserves.
2. The City's operating budget shall provide sufficient funding to meet its ongoing education funding obligation.
3. Expenditure reduction strategies that have the least impact on public safety and other critical public services shall be favored.



FY2012 Priorities

1. **Jobs/Economic Development** – Efforts will be aimed at improved business incentives and business-related government processes. Specific communities and work to eliminate barriers related to economic issues will also be targeted.
2. **Public Safety** – The objective is to enhance crime prevention, provide support for at-risk and ex-offender populations, and promote community partnerships and citizen participation.
3. **Customer Focus** – This goal focuses on clarifying customer service standards, improving internal quality assessment, accountability and increasing and improving opportunities for citizen feedback.
4. **Government Efficiency** – The reform of government processes and improvement of organizational coordination continue to be the objective of this priority.



Operating Budget

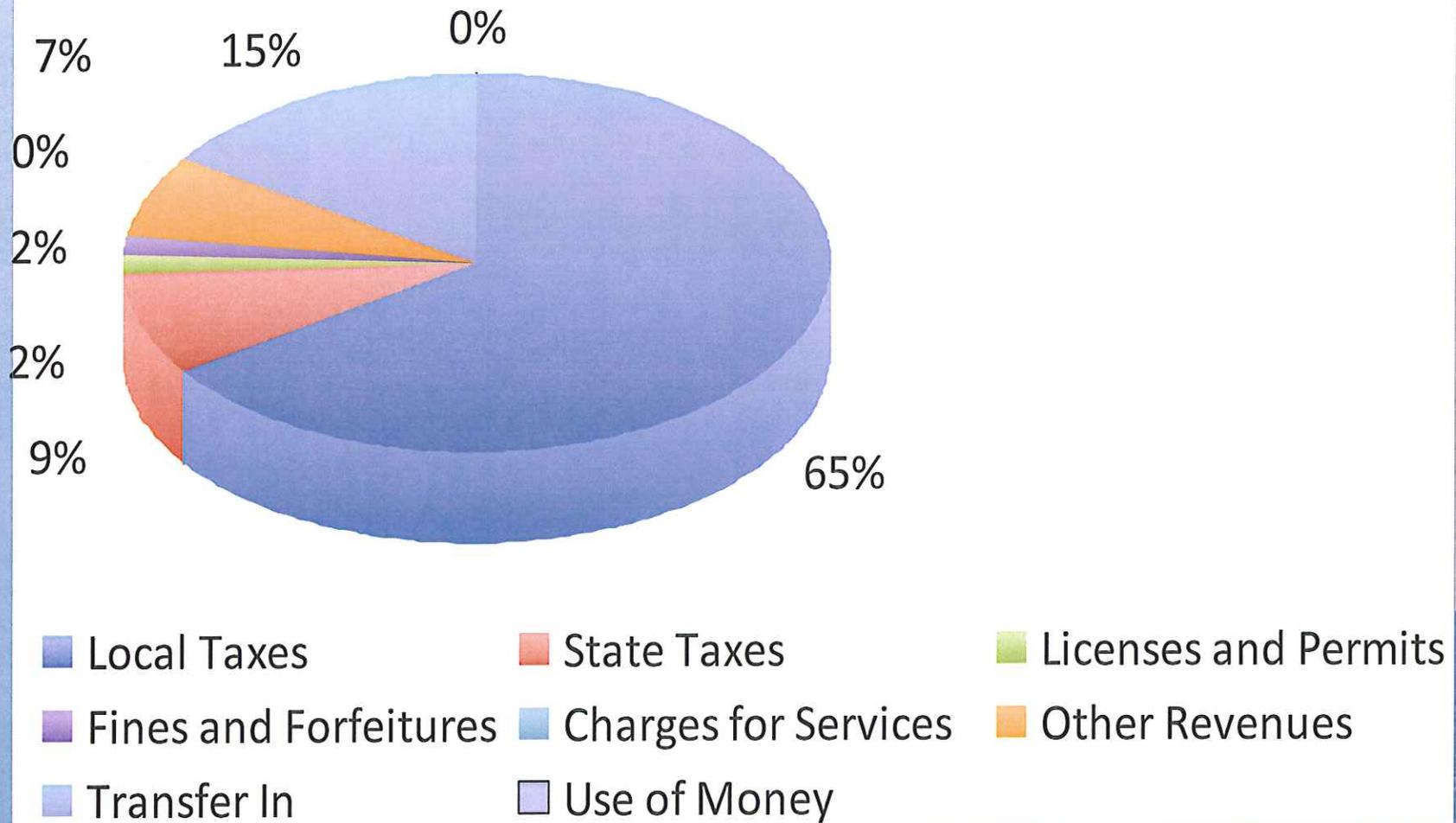


Revenue Budget Highlights

Sources of Revenue	FY 2010 <u>Actual</u>	FY 2011 <u>Adopted</u>	FY2011 <u>Forecast</u>	FY2012 <u>Projected</u>
Local Taxes	\$419,713,206	\$422,636,835	\$422,739,787	\$413,689,557
State Taxes	53,548,106	52,045,528	53,337,700	55,003,505
Licenses and Permits	10,679,841	11,287,710	10,320,288	9,775,288
Fines and Forfeitures	10,245,722	10,245,000	10,356,000	10,360,000
Charges for Services	1,087,254	917,400	1,017,495	1,017,400
Use of Money and Property	870,873	2,035,679	573,151	673,151
Federal Grants	339,748	0	94,735	0
Other Revenues	4,433,260	7,880,881	8,057,881	43,280,911
Transfers In	<u>58,537,514</u>	<u>127,766,897</u>	<u>127,486,267</u>	<u>97,486,897</u>
Total Revenues\Transfers	<u>\$559,455,524</u>	<u>\$634,815,930</u>	<u>\$633,983,304</u>	<u>\$631,286,709</u>



FY 2012 Revenue Budget



Revenue Budget Highlights

Sale of Delinquent Property Taxes

- New Revenue Program: This program was established as part of the FY 2011 adopted budget.
- \$20.0 million in projected revenue is anticipated from this strategy.

On Street Parking Monetization ¹

- New Revenue Program: This program is new for FY 2012.
- \$20.0 million is included in the budget request from this strategy.

Debt Service Transfer

- Final Installment: This is part of the debt restructure strategy executed in FY 2010.
- \$20.0 million is included in the budget request as a transfer from the Debt Service Fund.

¹ This non-recurring or one-time revenue program will likely raise questions with the Rating Agencies.



Revenue Budget Highlights

- **Revenue Highlights**

- Property tax collections hit hard by appeals in FY 2011 reflect growth over the forecast of less than 2.0%. The FY 2012 budget is lower than the FY 2011 adopted budget by 2.0%.
- Local option sales taxes continue to show signs of recovery. The FY 2012 budget of \$97.0 million reflects a planned reallocation of approximately 7% of sales tax receipts to the Debt Service Fund.
- Versus FY 2011 adopted budget, the City benefited from the State's structural change in Gross Receipts collections. The budget for FY 2012 is \$12.0 million.
- State sales tax revenues of \$45.0 million reflect continued growth while state income tax revenues are expected to decline by \$2.9 million.



Revenue Budget Highlights

- **Revenue Highlights**

- Transfer-In revenues are down directly as a result of lower transfers from the Debt Service Fund. MLG&W PILOT revenues at \$54.5 million represents 55% of the Transfer-In revenue budget, and is basically unchanged from FY 2011. An ongoing revenue sharing dispute with Shelby County Government may impact how we share this revenue with Shelby County.
- Fines and forfeitures budgeted at \$10.4 million for FY 2012. We've conservatively forecasted no growth over the FY 2011 adopted budget and forecast.
- Auto registration fees for FY 2012 are budgeted \$1.5 million lower than the FY 2011 adopted budget to reflect the impact of local policy changes.

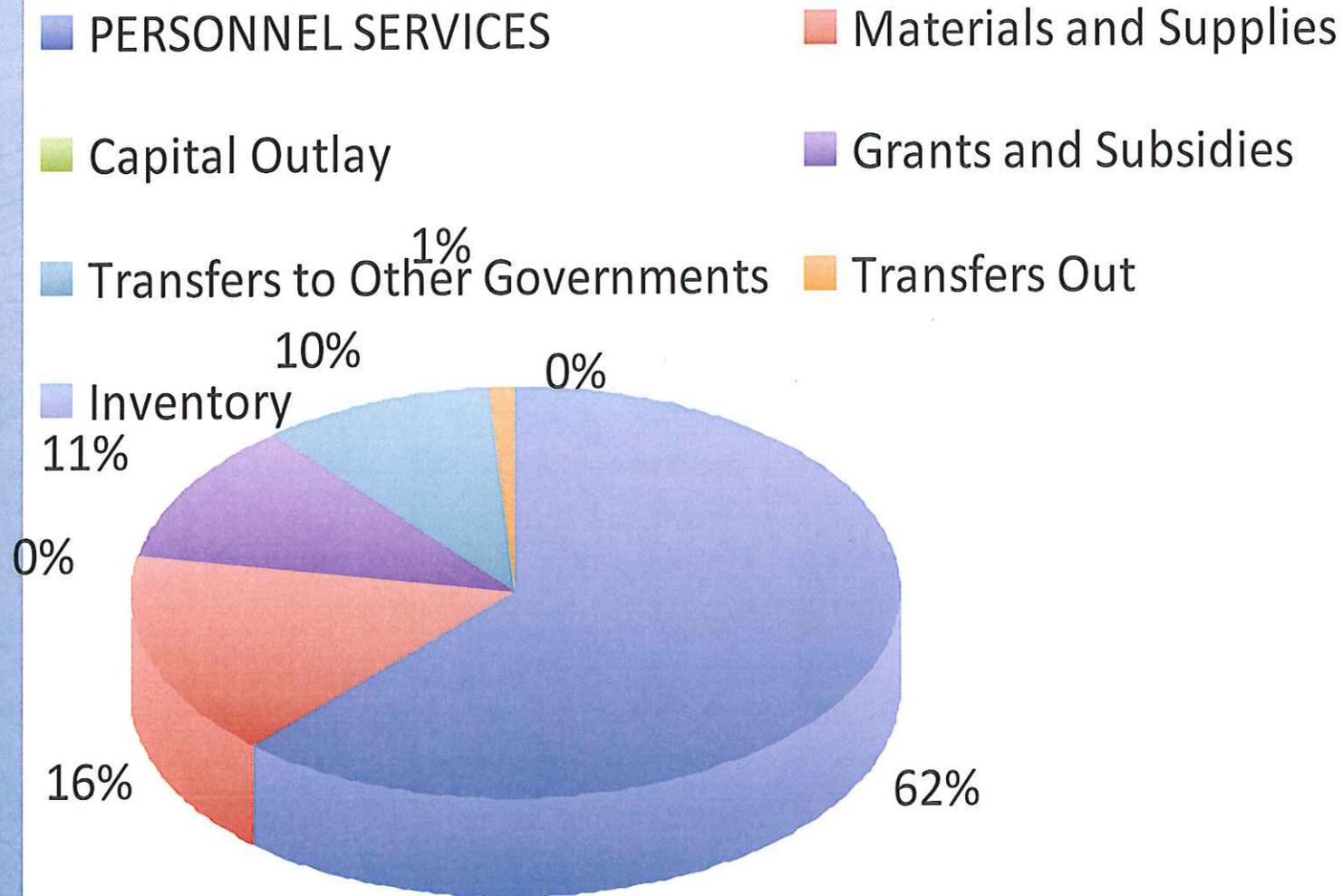


Value Of A Penny

	FY 2010 Actual	FY 2011 Forecast	FY 2012 Projected
Tax Rate (General Fund only)	2.2917	2.2917	2.2917
Property Tax	256,463,867	253,100,000	256,000,000
Value of Penny	1,119,099	1,104,420	1,117,075



FY 2012 Expenditure Budget



Expenditure Budget Highlights

Strategic Expenditure Reductions

- Furloughs (\$16.9 million)
 - Overall impact is the equivalent of a 4.6% salary reduction.
 - With the exception of Public Safety employees, the furloughs will be applied by eliminating 12 paid holidays in FY 2012.
- Layoffs (\$9.0 million)
 - 125 layoffs across 11 of 15 Divisions are targeted as a cost reduction strategy in the FY 2012 expenditure budget.
 - Public Safety Divisions will achieve their targets by reducing recruit classes and scaling back overtime.
- Eliminated Funding for Vacant Positions
 - Over 220 vacant positions were not funded in the FY 2012 expenditure budget.



Expenditure Budget Highlights

Strategic Expenditure Increases

- Strategic Initiatives (\$5.4 million)
 - \$3.0 million for economic development programs.
 - \$1.3 million for a reserve to cover the cost of layoffs.
 - \$1.1 million for deployment of GIS capabilities across all Divisions.
- Employee /Retiree Benefits (\$9.0 million)
 - \$6.0 million of funding to bring the FY 2012 healthcare related in spending in line with the FY 2011 forecast and projected growth.
 - \$3.0 million toward the OPEB obligation.
- Education Funding (\$5.0 million)
 - \$65.0 million in FY 2012 for Maintenance of Effort (MOE) and an initial installment toward the past obligation.
 - FY 2011 budget included \$60.0 million for MOE (\$50.0 million FY 2011 plus \$10.0 million FY 2010).



Impact of Difficult Budget Choices

The furlough reduction strategy and other difficult budget choices will have a direct impact on FY 2012 service delivery. Some highlights follow:

- **Police Division** - Initial FY 2012 Budget **Plan** reduced by \$16.5 million or 6.8% resulting in funding reduction for vacant positions and savings related to personnel related attrition. Almost 60% of the reductions are related to personnel related attrition.
- **Fire Division** - Initial FY 2012 Budget **Plan** reduced by \$9.9 million or 6.0% resulting in funding reduction for vacant positions and attrition savings related to a new service delivery staffing model. One-third of the reductions are related to personnel related attrition.
- **Community Enhancement Division** - Initial FY 2012 Budget **Plan** reduced by \$1.4 million or 13.9% resulting in layoffs of 6 positions, and funding reduction for vacant positions, temporary staffing and small equipment purchases. Services related to code enforcement are directly affected.



Impact of Difficult Budget Choices

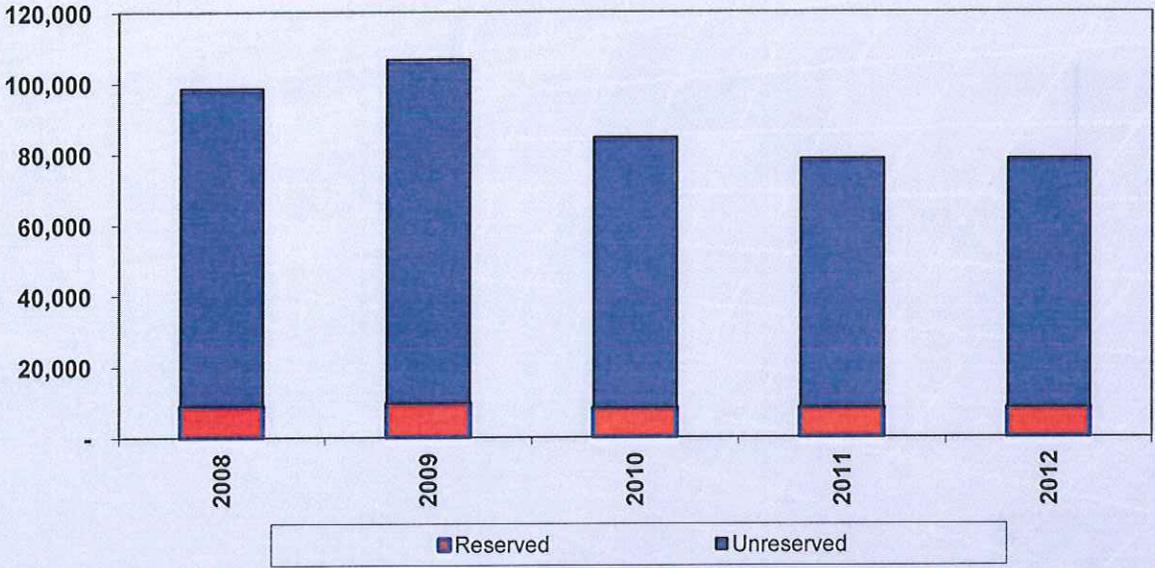
- **Parks Division** - Initial FY 2012 Budget **Plan** reduced by \$2.4 million or 8.3% resulting in layoffs of 26 positions, and reduction in funding for vacant positions. These reductions directly impact the staffing levels at Community Centers, Golf Courses and Park Operations.
- **Public Services Division** - Initial FY 2012 Budget **Plan** reduced by \$1.8 million or 7.0% resulting in reduction in funding for vacant positions. Library schedules and programs across the system will be impacted.
- **Public Works** – Initial FY2012 Budget **Plan** reduced by \$0.9 million or 4.9% resulting in layoffs of 11 positions and reduction in funding for vacant positions. All public works operations are impacted.
- **General Services** – Initial FY 2012 Budget Plan reduced by \$0.6 million or 4.0% resulting in reduced funding for vacancies, and fiscal targets. Delayed preventive maintenance is the impact.



Fund Balance Analysis

In 000's

General Fund - Fund Balance



	2008	2009	2010	2011	2012
Reserved	8,945	9,691	8,299	8,299	8,299
Unreserved	89,613	96,912	76,271	70,236	70,236
Total Fund Balance	98,558	106,603	84,570	78,535	78,535



CIP Budget



Overview the CIP Process

Capital Improvement Program

- Justifying Projects or Programs
 - Calendar
 - Capital Committee
 - Members
 - Categories
 - Criteria

- FY 2012 Unique Challenges
 - Limited Resources (Tax Revenue Target set at \$65.0 million)
 - Strategic Linkage to Priorities
 - Number of Projects Screened in Excess of 100



FY2012 Capital Improvement Plan

The FY 2012 CIP Budget includes projects that make our city safer and more appealing to visitors, residents and manufacturers. The FY 2012 General Obligation Bond Allocation amounts to \$89.1 million (\$56.0 million financed by general tax revenue and \$33.1 million financed by storm water revenue).

Capital Improvement Budget Highlights

Economic Development Project (Electrolux)

This project is part of an economic development initiative to bring more manufacturing jobs to Memphis. Electrolux, a manufacturer of consumer products, is developing land and building a plant in a local industrial park. When completed, the plant is projected to produce over 1,200 local jobs. The FY 2012 Allocation request is \$20.0 million.

Triangle Noir

This project is a redevelopment project to revitalize the southern part of Downtown. Beginning with the existing Cleaborn Homes public housing site, the redevelopment will provide for 400 units of new mixed-income rental housing in an effort to eliminate blight in the area. The FY 2012 Allocation request is \$1.5 million.



FY2012 Capital Improvement Plan

Capital Improvement Budget Highlights

Dixie Homes

The Dixie Homes (Legends Park) is a Hope VI Revitalization Project to develop the 46-acre Dixie Homes Public Housing site into a new mixed-income community of 404 housing units and 12,000 square feet of commercial space. The FY 2012 Allocation request is \$1.4 million.

Crump Police Station

This project makes it possible to relocate the Union Avenue Police station to University Place in the Bio-Tech Zone. The relocation will provide for a more centrally located precinct with space sufficient to support the operations. The FY 2012 Allocation request is \$1.0 million.

Oracle Release 12 Upgrade

The Release 12 upgrade will bring the City's Oracle applications up to the latest product release. The Oracle system represents the core application for the Finance Division and the Human Resources Division. The FY 2012 Allocation request is \$1.5 million.



Strategic Initiatives

- Strategic Budgeting
- Healthcare Cost Reduction Strategies
- Pension Cost Reforms

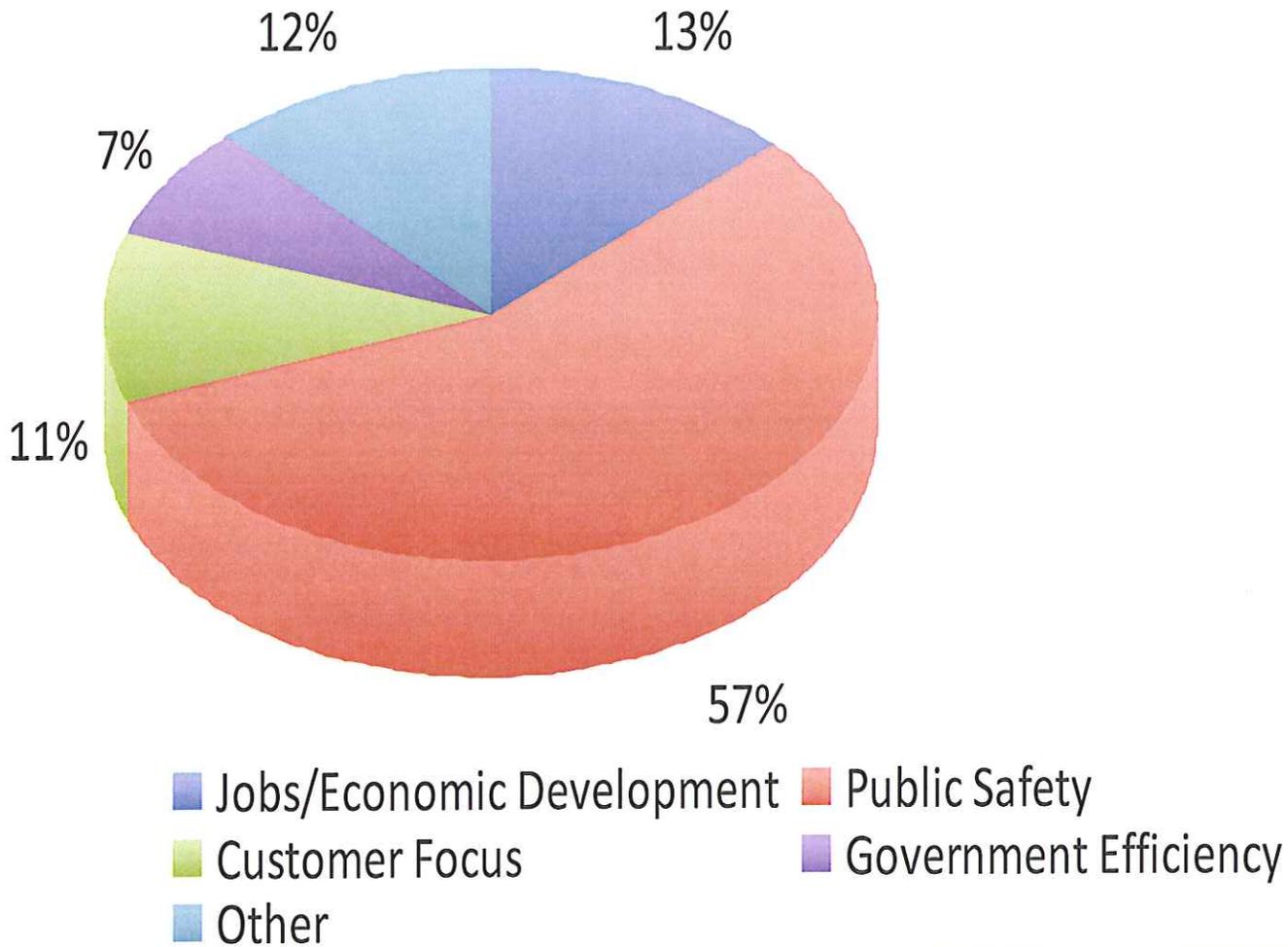


Strategic Budgeting

- **Zero Based Budgeting (ZBB)**
 - Fire Services Division
 - General Services Division
 - ZBB Process for 75% of Expenditure Budgets over 3 years
- Targeted Budget Reductions
- Budgeting for Outcomes
 - Linked to Strategic Priorities
 - Linked to Strategic Initiatives
 - Measures and Metrics



FY 2012 Priority Based Budget



Healthcare Cost Reduction Initiatives

- **Healthcare Cost Reduction and Incentive Strategies**
 - Medicare Buyback Strategy
 - Strategy to manage healthcare costs and to reduce the City's Other Postemployment Benefit (OPEB) liability.
 - Buyback Medicare quarters for eligible employees at a cost of \$5.0 million to save \$3.1 million annually and to reduce the OPEB liability by up to \$100.0 million.
 - No-Deduct Insurance Premium Period
 - The objective is to offset the financial impact of planned pay cuts and furloughs on employees by offering 4 additional no-deduct health insurance premium periods at an estimated cost of \$2.8 million.



Pension Reform Initiatives

- **Pension Reform Strategies**
 - Areas Under Study Include
 - Eligibility Requirement
 - Pension Benefit Taken before Retirement Age
 - Benefit Accrual Rate
 - Definition of Final Average Salary
 - Cost of the Surviving Spouse Benefit
 - Cost of the Annual Living Wage Adjustment



Budget Hearings Support

- **Division Presentations**
- **Budget Books**
- **Supplements To the Budget Books**
- **Budgeting Conventions**
 - **Structural Changes**
 - **Unfunded Vacant Positions**
 - **Attrition**



Appendix

- **Ordinances/Resolutions Timelines**
- **Fund Accounting/Budgeting**

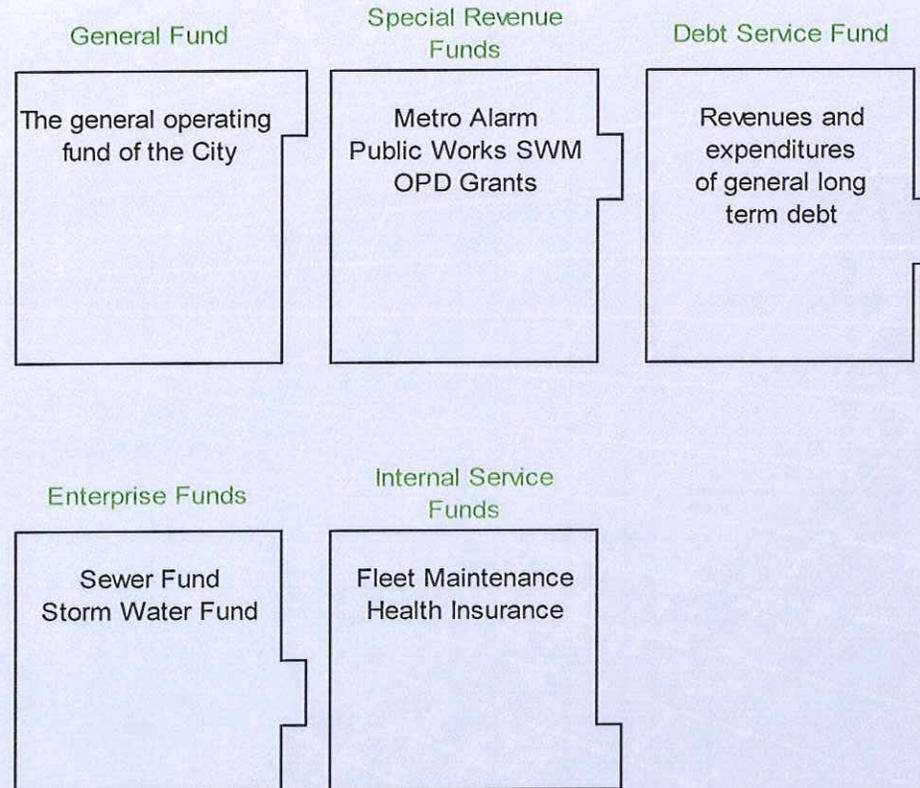


FY2012 Budget Ordinance/Resolution Timeline

	Committee Meeting	1st Reading	2nd Reading	3rd Reading	Approval of Minutes	
<i>Budget Ordinances</i>						
1	<u>Operating Budget Ordinance</u>	19-Apr	3-May	17-May	7-Jun	21-Jun
2	<u>Tax Rate Ordinance</u>	19-Apr	3-May	17-May	7-Jun	21-Jun
3	<u>Pension Ordinance - COLA</u>	19-Apr	3-May	17-May	7-Jun	21-Jun
<i>Budget Resolutions</i>						
4	<u>New Money Bond Issue</u>	19-Apr	3-May	N/A	N/A	17-May
6	<u>Refunding Bonding Issue</u>	19-Apr	3-May	N/A	N/A	17-May
6	<u>Capital Improvement Budget</u>	3-May	7-Jun	N/A	N/A	21-Jun
7	<u>MLGW in Lieu of Tax Resolution (Wade)</u>	3-May	7-Jun	N/A	N/A	21-Jun
8	<u>State Assessed Properties Resolution</u>	3-May	7-Jun	N/A	N/A	21-Jun
9	<u>Center City Commission Budget Resolution</u>	3-May	7-Jun	N/A	N/A	21-Jun



Fund Accounting/Budgeting



The City's budget is divided into several separate funds, each of which captures the activity related to that fund. Each fund has a budget for revenues and expenditures.

