



**CITY of MEMPHIS**

## **FINANCE DIVISION**

**FY 2016 - Q3 Report  
FINANCIAL PREVIEW**

**Chief Financial Officer  
Brian Collins**

**FY2016**  
**Financial Preview**  
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**City of Memphis**  
**FY2016 Financial Preview**  
**3rd Quarter Financial Report**  
**Overview**

This document provides a review of the City's General Fund financial performance and the cash position for all other funds for the third quarter (July '15 - March '16) of the Fiscal Year 2016.

The full year forecast of the expected results are shown on page 1 of this report. Page 1 aligns the full year FY 2016 budget with management's expected full year performance of both revenues and expenditures based on the actual results of the 3rd quarter's operations and known anticipated transactions.

As of this report the forecast for FY 2016 is projecting that operations will perform better than the adopted budget. With all requested adjustments and anticipated post closing adjustments a positive change in net assets, \$714k, is expected

Highlights of the major revenue and expenditure variances are detailed on the following pages of this report.

*Any statement made in this report, including the appendices, involving forecasts, estimates, or matters of opinion based on the best available information. Whether or not so expressly stated, these opinions and forecast, are set forth as such and not as representations of fact, and no representation is made that any forecast, estimate, or matter of opinion will be realized. Actual final results will be reported in the City's CAFR.*

**General Fund Forecast  
Quarter 3**

**BUDGET VS FORECAST (in '000)**

Revenue	FY2016 FUNDING BUDGET	FY2016 FUNDING BUDGET FORECAST	Variance	%
Local Taxes	\$ 438,679	\$ 433,714	\$ (4,965)	-1.13%
State Taxes *	\$ 65,075	\$ 83,622	\$ 18,547	28.50%
License and Permits	\$ 12,473	\$ 12,309	\$ (164)	-1.31%
Fines and Forfeitures	\$ 19,603	\$ 16,741	\$ (2,862)	-14.60%
Charges for services	\$ 32,302	\$ 32,344	\$ 42	0.13%
Use of Money	\$ 335	\$ 610	\$ 275	82.09%
Federal Grants	\$ 117	\$ 451	\$ 334	285.47%
State Grants	\$ 1,630	\$ 1,196	\$ (434)	-26.63%
Intergovernmental Revenues	\$ 6,008	\$ 5,989	\$ (19)	-0.32%
Other Revenues	\$ 7,263	\$ 11,963	\$ 4,700	64.71%
Transfers in *	\$ 80,365	\$ 58,573	\$ (21,792)	-27.12%
<b>Total Operating Revenues</b>	<b>\$ 663,850</b>	<b>\$ 657,512</b>	<b>\$ (6,338)</b>	<b>-0.95%</b>
Expenditures	FY2016 FUNDING BUDGET	FY2016 FUNDING BUDGET FORECAST	Variance	%
Personnel Services	\$ 462,255	\$ 450,656	\$ 11,599	2.51%
Material and Supplies	\$ 149,531	\$ 133,160	\$ 16,371	10.95%
Capital Outlay	\$ 675	\$ 363	\$ 312	46.22%
Grants and Subsidies	\$ 75,064	\$ 71,407	\$ 3,657	4.87%
Inventory	\$ 473	\$ 473	\$ -	0.00%
Transfers Out	\$ 9,485	\$ 14,185	\$ (4,700)	-49.55%
Others	\$ 86	\$ (17)	\$ 103	119.77%
<b>Total Operating Expenditures</b>	<b>\$ 697,569</b>	<b>\$ 670,227</b>	<b>\$ 27,342</b>	<b>3.92%</b>
Less Est. Reserve for Encumbrances	\$ (24,029)	\$ (24,029)	\$ -	0.00%
Less Est. Reserve for Red Light Cameras		\$ 1,000	\$ (1,000)	0.00%
Less Est. Reserve for Electronic Tickets		\$ 350	\$ (350)	0.00%
Less Est. Reserve for Bass Pro		\$ 750	\$ (750)	0.00%
<b>Sub- Total Expenditures less Encumbrances</b>	<b>\$ 673,540</b>	<b>\$ 648,298</b>	<b>\$ 25,242</b>	<b>3.75%</b>
Est. Post Closing Adjustments & Reserves		\$ 8,500	\$ (8,500)	0.00%
<b>Total Expenditures less Encumbrances</b>	<b>\$ 673,540</b>	<b>\$ 656,798</b>	<b>\$ 16,742</b>	
<b>Change in Net Assets</b>	<b>\$ (9,690)</b>	<b>\$ 714</b>	<b>\$ 10,404</b>	<b>-107.37%</b>

FY 2016 - Q3

## Revenue Forecast Discussion

### General Fund

### FY 2016

As of the 3rd quarter total operating revenue is estimated to be \$657.5 million.

Below are the summaries of the revenue categories and a brief category discussion of the major variances:

(Chart in '000s)

Revenue	FY2016 FUNDING BUDGET	FY2016 FUNDING BUDGET FORECAST	Variance	%
Local Taxes	\$ 438,679	\$ 433,714	\$ (4,965)	-1.13%
State Taxes *	\$ 65,075	\$ 83,622	\$ 18,547	28.50%
License and Permits	\$ 12,473	\$ 12,309	\$ (164)	-1.31%
Fines and Forfeitures	\$ 19,603	\$ 16,741	\$ (2,862)	-14.60%
Charges for services	\$ 32,302	\$ 32,344	\$ 42	0.13%
Use of Money	\$ 335	\$ 610	\$ 275	82.09%
Federal Grants	\$ 117	\$ 451	\$ 334	285.47%
State Grants	\$ 1,630	\$ 1,196	\$ (434)	-26.63%
Intergovernmental Revenues	\$ 6,008	\$ 5,989	\$ (19)	-0.32%
Other Revenues	\$ 7,263	\$ 11,963	\$ 4,700	64.71%
Transfers in *	\$ 80,365	\$ 58,573	\$ (21,792)	-27.12%
<b>Total Operating Revenues</b>	<b>\$ 663,850</b>	<b>\$ 657,512</b>	<b>\$ (6,338)</b>	<b>-0.95%</b>

#### Category Comments:

- > **Local taxes**-This revenue grouping which includes Property Taxes and Local Sales Taxes is trending below the funding budget.
- > **State taxes**- This revenue grouping includes State Income (HALL) Taxes and State Sales Taxes. Hall taxes will come in about \$3.7 M above budget, and sales taxes will be on budget.
- > **Licenses and Permits**- In this revenue category auto registrations is the primary revenue source. The mixtures of revenues in this category is on budget.
- > **Fines and Forfeitures**- Court Fees and Court Cost are trending below budget by a combined - \$1.4m and red light camera revenue is under budget by approximately \$1.0m.
- > **Charges for Services**-Ambulance charges are trending positive by \$1.0m, Parks and Engineering fees are also trending positive by \$500k each. Police charges are trending below budget by a negative \$400k.
- > **Transfers In** - MLG&W PILOT realignment, with Shelby Co., is expected to reduce expected revenues by (\$6.0M).

\* These categories reflect an accounting change in the recording of Municipal State Street Aide revenue. The "actual" revenue forecasted to be \$15.0m is recorded in State taxes. The budget is shown in Transfers-In at \$14.8m. The offsetting positives and negatives variances, because of where the budget and actuals are posted, are neutral to the revenue performance.

## Expenditure Forecast Discussion General Fund FY 2016

Total expenditures are estimated at approximately \$670.2 million. Expenditures include cash flow request for MATA and Housing and Community Development.

Below are the summaries of the expenditure categories and brief category discussions. Division variance can be found on page 6.

(Chart in '000s)

Expenditures	FY2016 FUNDING BUDGET	FY2016 FUNDING BUDGET FORECAST	Variance	%
Personnel Services	\$ 462,255	\$ 450,656	\$ 11,599	2.51%
Material and Supplies	\$ 149,531	\$ 133,160	\$ 16,371	10.95%
Capital Outlay	\$ 675	\$ 363	\$ 312	46.22%
Grants and Subsidies	\$ 75,064	\$ 71,407	\$ 3,657	4.87%
Inventory	\$ 473	\$ 473	\$ -	0.00%
Transfers Out	\$ 9,485	\$ 14,185	\$ (4,700)	-49.55%
Others	\$ 86	\$ (17)	\$ 103	119.77%
<b>Total Operating Expenditures</b>	<b>\$ 697,569</b>	<b>\$ 670,227</b>	<b>\$ 27,342</b>	<b>3.92%</b>

### Category Comments:

◆**Personnel Services** - This expenditure category, which includes salaries & benefits, is performing 2.51% below budget. As a result personnel expenditures are expected to come in under budget. In some areas overtime is exceeding the plan, however, vacancies are offsetting this impact. Other areas impacting personnel are part-time cost, health benefits, and retirement cost.

◆**Materials and Supplies** - This expenditure category is 10.95% below budget levels. Fuel cost and expenditures for professional services and legal cost are the drivers for this positive variance.

◆**Grants and Subsidies** - This expenditure category is trending positive due to the professional privilege tax not being charged (equal offset in revenues) and pensioner's insurance needs being less than budget.

◆**Transfers Out** - This category is trending over budget because of the cash flow transfer request to HCD and the CIP fund, \$5.0m and \$830k respectively.

## APPENDIX I

### GENERAL FUND DIVISION FORECAST INFORMATION

**Forecast  
Quarter 3  
2016 Division Expenditures Summary of Operations  
(in '000)**

Expenditures	FY2016 Funding Budget	FY2016 Funding Budget Forecast	Variance
City Attorney	\$ 12,070	\$ 10,054	\$ 2,016
City Council	\$ 1,564	\$ 1,469	\$ 95
City Court Clerk	\$ 8,508	\$ 5,861	\$ 2,647
City Court Judges	\$ 641	\$ 641	\$ -
City Engineer	\$ 11,565	\$ 10,588	\$ 977
Executive	\$ 9,826	\$ 8,962	\$ 864
Finance & Administration	\$ 8,767	\$ 7,253	\$ 1,514
Fire	\$ 175,793	\$ 172,372	\$ 3,421
General Services	\$ 25,840	\$ 25,840	\$ -
Grants & Subsidies	\$ 68,851	\$ 71,563	\$ (2,712)
Housing & Community Development	\$ 4,970	\$ 4,192	\$ 778
Human Resources	\$ 9,927	\$ 8,962	\$ 965
Information Systems	\$ 21,548	\$ 20,943	\$ 605
Parks & Neighborhoods	\$ 53,587	\$ 51,948	\$ 1,639
Police	\$ 256,126	\$ 246,254	\$ 9,872
Public Works	\$ 27,985	\$ 23,322	\$ 4,663
<b>Total Expenditures</b>	<b>\$ 697,568</b>	<b>\$ 670,224</b>	<b>\$ 27,344</b>
Reserves for Encumbrances	\$ (24,029)	\$ (24,029)	\$ -
Reserves for Red Light Camera		\$ 1,000	\$ (1,000)
Reserves for Electronic Tickets		\$ 350	\$ (350)
Reserves for Bass Pro		\$ 750	\$ (750)
<b>Total Expenditures less Encumbrances *</b>	<b>\$ 673,539</b>	<b>\$ 648,295</b>	<b>\$ 25,244</b>

\* Difference in totals on page 3 due to rounding.

FY 2016 - Q3

City of Memphis  
FY 2016 - 3rd Quarter Division Discussion  
Nine Months Ending March 31, 2016

**City Attorney**

- **Outlook**- Trending at below budget levels. Positive variances are anticipated in legal services and professional services.

**City Council**

- **Outlook** - Trending below budgeted levels. This forecast assumes the budget for audit fees will not be used.

**City Court Clerk**

- **Outlook** - Trending below budgeted levels.
- **Notable Expense Items** -Revenues related to the additional automated enforcement implementation will be below budgeted levels. Associated expenses, especially in professional services, will also be below budgeted levels.

**City Court Judges**

- **Outlook** - Trending at budgeted levels.

**Engineering**

- **Outlook** - Trending below budget levels.
- **Notable Expense Items** -Several vacancies contribute to the personnel category trends. Expenditures, other than personnel, are projected to be under budget with positive variances in several accounts.

**Executive**

- **Outlook** - Trending below budget levels.
- **Notable Expense Items** - Expenditures for professional services will be under budget and part time temporary cost are trending below budget.

**Finance**

- **Outlook** - Trending at budget levels.
- **Notable Expense Items** - Expenditures to be paid to EDGE are under budget by \$997k, an equal amount is below budget in reserves.

**Fire**

- **Outlook** - Trending below budget levels.
- **Notable Expense Items** - Salaries are below budget. Personnel healthcare benefit cost will be below budget by approximately \$600k. In Material and Supplies expenditures, fuel is trending below budget, however, MPS will be over budget.

**General Services**

- **Outlook** - Trending at budgeted levels.

City of Memphis  
FY 2016 - 3rd Quarter Division Discussion  
Nine Months Ending March 31, 2016

### Grants and Agencies

- **Outlook-** Trending below budget levels.
- **Notable Expense Items** - Pensioner's insurance and professional privilege tax are below budget.

### HCD - Housing and Community Development

- **Outlook** - Trending below budgeted levels.
- **Notable Expense Items** - **Section 108 payments are lower than planned.**

### Human Resources

- **Outlook** - Trending below budgeted levels.
- **Notable Expense Items** - Personnel cost are trending below budget. Professional services are also trending below budget.

### Information Technology

- **Outlook** - Trending below budgeted levels.

### Parks and Neighborhoods

- **Outlook** - Trending below budget levels.
- **Notable Expense Items** - Salaries are the large driver of the positive variance. These are related to vacant positions in the Library.

### Police

- **Outlook** - Trending below budgeted levels
- **Notable Expense Items** - Although overtime is trending over budget by \$7.1m, salaries are trending under by a similar amount. Overall personnel services are below budget levels by \$3.1M. In M & S there is a mixture of favorable variances.

### Public Works

- **Outlook** - Trending below Budgeted levels.
- **Notable Expense Items** - There are various items that are showing positive variances at this time. Personnel will be below budget by \$1.0m, while fuel and shop charges will be below budget by \$335k and \$357k respectively. Professional services will be below budget by over \$1.0m.

FY 2016

CASH POSITION OTHER FUNDS

**City of Memphis**  
**Other Major Funds Discussion**  
**FY 2016 - For Nine Months Ending March 31, 2016**

The following funds are considered "high profile" funds therefore a brief discussion relative to their performance is provided below.

**Debt Fund** - Performing as planned and expected to achieve the fund balance as planned.

**Fleet Fund**- Expected to end the year with a positive fund balance.

**Health Care Fund** - With current reforms, this fund is expected to increase it's fund balance by \$6.6m this exceeds budget expectations. The administration continues to monitor this fund frequently for trending activities.

**OPEB Fund** – We expect to move the OPEB Fund to self sustaining as we transition to the new plans for retirees. The administration continues to monitor this fund frequently for trending activities. At this time a \$6.8m operational deficit is anticipated, however, the fund balance will absorb the loss.

**Sewer Fund** - This fund is expected to produce a positive increase in net assets for FY 2016.

**Storm Water Fund** - This fund is expected to have a positive increase in net assets for FY 2016.

**Solid Waste Fund** - The fund's foreseeable use of fund balance is \$1.3 million. Currently the Public Works Division is working on a model shift that will change the trajectory of this fund. The fund will be able to absorb this operational loss for FY 2016 should it remain as forecasted above.

City of Memphis  
3rd Quarter FY 2016

**Cash Position all funds ( in 000's)**

The State of Tennessee requires all municipalities to have positive cash balances at the end of the fiscal year. The schedule below lists the current cash balances for the City of Memphis Funds at 03-31-16. As of this report all funds are projected to have a positive cash balance at the end of FY2016.

Fund Number and Name	Cash Balance as of 3/31/16
0111 General Fund	\$162,066
0121 Park Special Service Fund	2,444
0131 Life Insurance Fund	20,168
<b>General Fund</b>	<b>184,679</b>
0201 State Street Aid Fund	2,978
0204 Solid Waste Management Fund	11,717
0205 Miscellaneous Grants Fund	5,320
0211 Workforce Investment Act Fund	293
0216 Drug Enforcement Fund	11,249
0221 Community Development Fund	3,067
0223 Hotel/Motel Occupancy Tax Fund	3,350
0225 New Memphis Arena Special Reve	1,369
0228 CRA Programs	2,094
0301 Debt Service Fund	71,098
0400 Capital Projects Fund	7,178
0601 Sewer Treatment & Collection -	75,975
0631 Port Commission - Operating Fu	29
0651 Golf Fund	(0)
0661 Metro Alarm Fund	1,837
0671 Storm Water Fund *	(1,381)
0721 Health Insurance Fund	25,453
0731 Unemployment Compensation Fund	1,666
0741 Fleet Management Fund	2,930
0804 Beale Street District Fund	763
0810 Central Business Improvement D	238
0816 Casino Gaming Commission Fund	6
0819 Sold Property Tax Receivables F	2,610
0851 City Retirement System Fund	6
0852 Library Retirement System Fund	-
0853 Other Post Employment Benefit	7,463
0889 Board of Education Property Ta	864
<b>Total Cash (Including General Fund)</b>	<b>\$422,849</b>

\* These funds show a negative fund balance at the end of the quarter due to timing differences. All fund's cash positions at the end of the year will be positive.

**APPENDIX II**  
**PRIOR YEAR COMPARISON**

# Comparative Revenue Summary

of

Quarter 3 Actual Revenues FY 2016

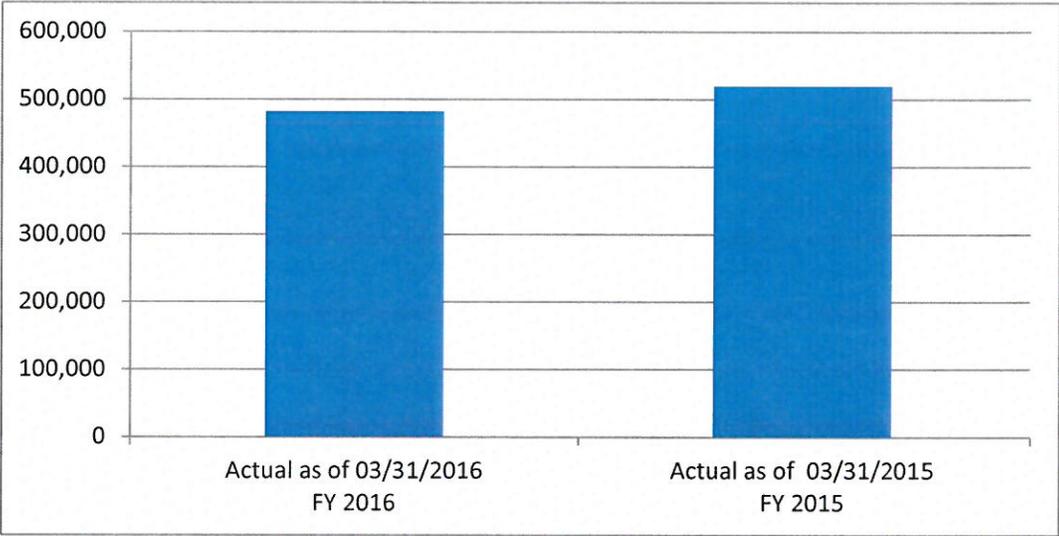
vs.

Quarter 3 Actual Revenues Prior FY 2015

Total revenue collected in the 3rd quarter of FY 2016 is \$362.2 million vs \$440.4 million this same time last year. The primary differences are due to year end accrual adjustments and their timing. As noted in the full year forecast (page 1) there are no significant trends to conclude from this comparison.

See page 14 for revenue details

Revenues



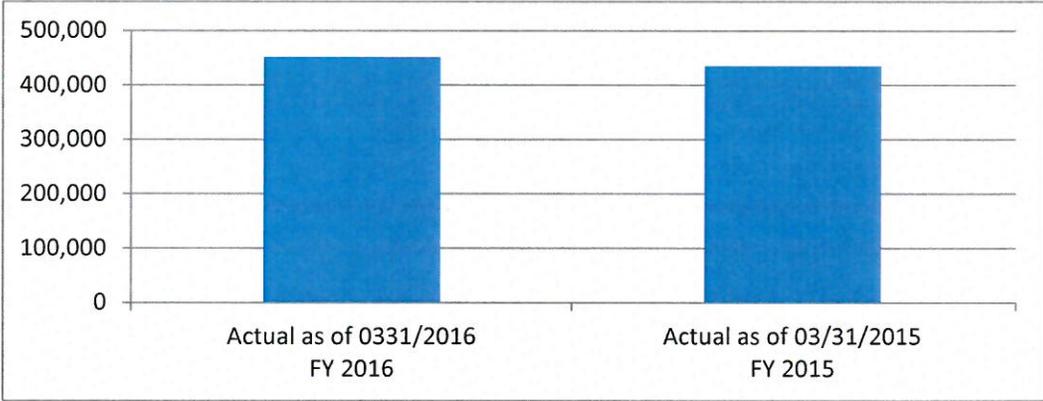
# Comparative Expense Summary

of  
Quarter 3 Actual Expenditures FY 2016  
vs.  
Quarter 3 Actual Expenditures Prior FY 2015

Total expenditures for the 3rd quarter of the FY 2016 are approximately one percent less. Timing differences of the payment of certain expenses account for the differences.

See page 14 for expenditure details.  
(Divisional expenditures are shown in the appendix on page 15.)

Expenditures



**Comparative Summary  
of  
Quarter 3 Actual Performance  
Current FY 2016 vs. Prior FY 2015**

Revenue	FY2016 Actual Qtr. Ending 03-31-2016	FY2015 Actual Qtr. Ending 03-31-2015	Variance	%
Local Taxes	\$354,116,990	\$376,021,018	(\$21,904,028)	-5.83%
State Taxes	\$44,112,947	\$37,985,736	\$6,127,211	16.13%
License and Permits	\$8,467,628	\$8,486,889	(\$19,261)	-0.23%
Fines and Forfeitures	\$12,853,915	\$11,988,083	\$865,832	7.22%
Charges for services	\$26,253,476	\$21,385,124	\$4,868,352	22.77%
Use of Money	\$531,282	\$337,931	\$193,351	57.22%
Federal Grants	\$25,671	\$0	\$25,671	0.00%
State Grants	\$984,495	\$902,926	\$81,569	0.00%
Intergovernmental Revenues	\$5,120,343	\$2,556,996	\$2,563,347	100.25%
Other Revenues	\$7,978,557	\$5,258,263	\$2,720,294	51.73%
Transfers	\$21,904,184	\$55,280,008	(\$33,375,824)	-60.38%
<b>Total Revenues</b>	<b>\$482,349,488</b>	<b>\$520,202,974</b>	<b>(\$37,853,486)</b>	<b>-7.28%</b>
<b>Supporting detail of page 14.</b>				

Functional Expenditures	FY2016 Actual Qtr. Ending 03-31-2016	FY2015 Actual Qtr. Ending 03-31-2015	Variance	%
Personnel Services	\$315,809,731	\$311,360,327	(\$4,449,404)	-1.43%
Material and Supplies	\$73,229,916	\$62,127,350	(\$11,102,566)	-17.87%
Capital Outlay	\$237,773	\$11,093	(\$226,680)	-2043.45%
Grants and Subsidies	\$57,313,366	\$52,043,390	(\$5,269,976)	-10.13%
Inventory	\$185,538	\$170,640	(\$14,898)	-8.73%
Transfers Out	\$4,680,218	\$8,037,258	\$3,357,040	41.77%
Investment Fees	\$205,560	\$114,066	(\$91,494)	-80.21%
Others	\$150,882	\$1,496,230	\$1,345,348	89.92%
<b>Total Expenditures</b>	<b>\$451,812,984</b>	<b>\$435,360,354</b>	<b>(\$16,452,630)</b>	<b>-3.78%</b>
<b>Change in Net Assets</b>	<b>\$30,536,504</b>	<b>\$84,842,620</b>	<b>(\$54,306,116)</b>	<b>-64.01%</b>
<b>Supporting detail of page 15.</b>				

FY 2016 - Q3

**Comparative Summary  
of  
Quarter 3 Actual Divisional Expenditures  
Current FY 2016 vs. Prior FY 2015**

Expenditures	FY2016 Actual Qtr. Ending 03-31-2016	FY2015 Actual Qtr. Ending 03-31-2015	Variance	%
City Attorney	\$6,747,798	\$6,179,555	(\$568,243)	-9.20%
City Council	\$968,691	\$1,079,023	\$110,332	10.23%
City Court Clerk	\$4,440,726	\$4,228,304	(\$212,422)	-5.02%
City Court Judges	\$444,471	\$440,075	(\$4,396)	-1.00%
City Engineer	\$7,179,115	\$6,508,470	(\$670,645)	-10.30%
Executive	\$5,692,692	\$4,385,862	(\$1,306,830)	-29.80%
Finance & Administration	\$4,949,304	\$3,350,815	(\$1,598,489)	-47.70%
Fire	\$116,405,515	\$114,147,758	(\$2,257,757)	-1.98%
General Services	\$14,234,774	\$13,788,403	(\$446,371)	-3.24%
Grants & Subsidies	\$53,885,400	\$54,559,269	\$673,869	1.24%
<i>Other G &amp; A</i>	\$26,172,065	\$21,569,229	(\$4,602,836)	-21.34%
<i>MATA</i>	\$26,380,000	\$24,990,040	(\$1,389,960)	-5.56%
<i>Shelby County Schools</i>	\$1,333,335	\$8,000,000	\$6,666,665	0.00%
Housing & Community Development	\$2,925,273	\$1,413,558	(\$1,511,715)	-106.94%
Human Resources	\$5,037,861	\$3,209,821	(\$1,828,040)	-56.95%
Information Systems	\$10,881,962	\$9,390,112	(\$1,491,850)	-15.89%
Park Services	\$34,389,740	\$32,307,734	(\$2,082,006)	-6.44%
Police	\$171,178,868	\$169,266,896	(\$1,911,972)	-1.13%
Public Works	\$11,670,506	\$9,485,151	(\$2,185,355)	-23.04%
Other	\$780,288	\$1,619,547	\$839,259	51.82%
<b>Total Expenditures</b>	<b>\$451,812,984</b>	<b>\$435,360,353</b>	<b>(\$16,452,631)</b>	<b>-1.33%</b>