



The City of Memphis successfully emerged, bruised but not broken, from a perfect financial storm brought on by the recession, unfunded liabilities and high unemployment.

My Proposed FY 2016 Budget should be viewed in this context. We had a financial crisis on our hands. We needed to act, and we did. While we still have financial challenges, we are now in a position to begin increasing the investment in our City and our people, which is what our FY 2016 Budget is all about.

The Proposed FY 2016 Budget reflects my administration's continued strong commitment to safe and vibrant neighborhoods, fighting blight and investing in our young people. We are increasing the investment in public safety by nearly \$7 million to fund new recruiting classes in both Police and Fire, as well as an increase in the use of Public Safety Technicians so that we can devote more commissioned police officers to the vital, hands-on task of crime prevention. Although crime has been down over the past few years and down 6% so far this year, we remain vigilant in our commitment to public safety.

The FY2016 budget proposes to invest \$3 million for the demolition of buildings that are both eye-sores and havens for crime reflects my administration's ongoing commitment to fighting blight. Additionally, our proposed Capital Improvement Budget for FY 2016 general obligation bonds (GO) is \$54 million compared to \$82 million in FY15, and includes \$15 million for street paving compared to \$9 million in FY 16. So as we have been conservative in our overall GO request, we have targeted street paving for a 66% increase over last year.

Over the past year, as we were working on efficiencies and reforms, we were also working on grant applications to support the City's needs. And our work has paid off. In the coming fiscal year, we hope to bid out construction contracts on an additional \$18 million for road paving as a result of these successful grant applications. Altogether, this will be the most money we have spent on our roads in decades.

Also, we are increasing our investment in the youth with \$2 million set aside for the MPLOY summer experience program that will give 1,000 of our young people the opportunity to gain vital experience - and make valuable connections - in workplaces across Memphis.

The Proposed Operating Budget calls for expenditures of \$656 million with revenue of \$643 million. The shortfall of \$13 million is the result of keeping pre-65 retirees on our old Retiree Health Care system until January 1, 2016. The reserves we built up in 2014 will allow us to cover this shortfall and still leave us with reasonable reserves.

The FY 2016 Proposed Budget calls for the payment of about \$48 million toward our annual pension obligation as required by state law. In two years, the City will have more than doubled our payments and we are well on our way toward reaching 100% of our annual commitment by 2020.

When I took office in October 2009, our City was still reeling from the impacts of that Great Recession. Unemployment was double digits, our Pension and Retiree Health Care plans were underfunded by over \$2 BILLION, and we faced the financial fallout from the defunding of the Memphis City Schools.

Also, Memphis faced rising debt payments of over \$25 million per year. We were looking at annual increases in our Pension payments of \$55 million, increases in our Retiree Health Care payments of tens of millions of dollars and increased debt payments of nearly \$25 million. The magnitude of this financial storm

was at first hard for us to comprehend; and we were slow to react. We had a financial crisis on our hands and once we realized what inaction would mean for the future of this great city, doing nothing was not an option.

We have reduced our unfunded liabilities by \$740 million (37%), resolved the nearly eight-year-old dispute with our schools, restructured our debt, and, importantly, unemployment is down substantially across our City.

In FY 2014, the Administration pledged to work diligently to reduce costs, increase reserves and develop major reform plans for FY 2015. Through cost savings and efficiencies, we grew our reserves by a substantial increase of \$27 million. This helped position the City for reforms that strengthened our financial position. Retiree Health Care Reform, although we will not see the benefits of this fully until FY 2017, will save us more than \$20 million per year. Pension Reform immediately saved us approximately \$6 million per year and reduced our long term risk of another melt-down like we experienced in 2009. And we managed to preserve benefits for current vested employees that have been sacrificed in other cities. Restructuring of our bond debt will save us as much as \$25 million per year over the next five to seven years. Also, we used some of the reserves we built up in FY 2014 to finally settle the litigation with our schools.

Additionally, the national bond rating agencies affirmed our AA credit ratings, which is among the highest investment grade ratings. At a time when many cities around the country are struggling to avoid "junk" bond status, we have earned our place among the more fiscally strong.

We are planning for significant progress without a tax increase in our Proposed FY 2016 Budget. We will continue building the City's financial strength through cost savings and efficiencies in government, investing in those things that revitalize and stabilize neighborhoods, preparing our young people to be productive citizens and future leaders, and driving economic development projects that create jobs that help Memphians build wealth and escape poverty. This will continue to be the cornerstone, the guiding financial principles, that will secure our future as a City of Choice.



A C Wharton, Jr.

Mayor, City of Memphis