

■ operating budget

Sources of Revenue	FY 2010 Actual	FY 2011 Adopted	FY 2011 Forecast	FY 2012 Adopted
Local Taxes	419,713,206	422,636,835	422,636,905	435,795,557
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	18,500,000
Charges for Services	1,087,254	917,400	702,495	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	8,050,881	23,860,911
Transfers In	58,537,514	127,766,897	127,486,267	98,486,897
Total Revenues\Transfers	559,455,524	634,815,930	633,558,422	643,112,709

■ issues & trends

The Operating Budget Revenue for FY 2012 totals \$643,112,709. This represents a revenue increase of \$8.2M or 1.3% from the FY 2011 Adopted Budget.

Our largest revenue source, local taxes are projected to increase \$13.2M or 3.1% from the FY 2011 Adopted Budget. State taxes, our second largest revenue source, are projected to increase by \$2.9M or 5.7% from the FY 2011 Adopted Budget.

Other sources of revenue that contribute to the operating budget are Transfers In. They are projected to decrease by \$29.2M from FY 2011 Adopted Budget. This is primarily due to bond refinancing transfer which decreased from a high of \$50.0 million in FY 2011 to \$20.0 million in FY 2012.

GENERAL FUND

GENERAL FUND REVENUES

Sources of Revenue	FY 2010 Actual	FY 2011 Adopted	FY 2011 Forecast	FY 2012 Adopted
Local Taxes				
Beer Sales Tax	15,057,236	14,673,000	15,000,000	15,100,000
MLGW/Williams Pipeline	315,874	315,000	315,870	315,870
Bankruptcy Interest & Penalty	183,614	151,500	165,000	170,000
Ad Valorem Tax Prior	8,318,981	7,800,000	6,000,000	780,000
Alcoholic Beverage Inspection Fee	4,195,154	4,000,000	4,100,000	4,100,000
Warrants and Levies	516	1,000	200	200
Cable TV Franchise Fees	4,383,458	4,545,000	4,300,000	4,400,000
Misc Franchise Tax	679,281	500,000	600,000	650,000
Misc Tax Recoveries	2,334,718	2,000,000	2,200,000	2,300,000
Business Tax Fees	544,303	0	900,000	900,000
Bank Excise Tax	612,096	792,987	792,987	792,987
PILOT's	5,067,208	5,220,511	5,220,511	5,220,500
Local Sales Tax	94,461,602	95,000,000	101,100,000	99,000,000
Gross Rec Business Tax	9,292,899	8,287,500	12,000,000	12,000,000
Interest, Penalties & Commission	234,201	222,337	222,337	230,000
Ad Valorem Tax - Current	256,601,645	262,743,000	253,100,000	278,106,000
Property Taxes Interest & Penalty	6,891,891	6,161,000	6,200,000	1,200,000
State Appointment TVA	7,778,558	7,700,000	7,800,000	7,800,000
Special Assessment Tax	184,546	100,000	120,000	130,000
Mixed Drink Tax	2,575,425	2,424,000	2,500,000	2,600,000
Total Local Taxes	419,713,206	422,636,835	422,636,905	435,795,557
State Taxes				
State Shared Beer Tax	341,539	345,000	345,000	340,000
Spec Petroleum Product Tax	1,479,820	1,473,528	1,479,600	1,479,600
Telecommunication Sales Tax	59,813	61,800	61,800	50,000
State Income Tax	7,304,745	8,900,000	6,000,000	6,000,000
Alcoholic Beverage Tax	280,149	265,200	265,200	270,504
State Sales Tax	44,082,040	41,000,000	45,186,100	46,863,401
Total State Taxes	53,548,106	52,045,528	53,337,700	55,003,505
Licenses and Permits				
Beer Permit Privilege Tax	140,001	140,000	140,000	140,000
Wrecker Permit Fee	11,680	9,088	9,088	9,088
Gaminy Pub Amus Perm Fee	10,230	13,000	13,000	13,000
Beer Application	72,480	57,000	60,000	65,000
Taxi Drivers License	28,088	28,217	28,200	28,200
Liquor By Ounce License	251,429	270,405	200,000	250,000
Misc Permits	73,288	70,000	70,000	70,000



GENERAL FUND

GENERAL FUND REVENUES

Sources of Revenue	FY 2010 Actual	FY 2011 Adopted	FY 2011 Forecast	FY 2012 Adopted
Auto Registration Fee	10,092,645	10,700,000	9,800,000	9,200,000
Total Licenses and Permits	10,679,841	11,287,710	10,320,288	9,775,288
Fines and Forfeitures				
Fines & Forfeitures	88,247	139,000	100,000	100,000
Arrest Fees	280,360	256,000	256,000	260,000
Court Fees	5,550,848	5,700,000	5,600,000	8,900,000
Court Costs	4,203,687	4,000,000	4,300,000	9,140,000
Beer Board Fines	122,580	150,000	100,000	100,000
Total Fines and Forfeitures	10,245,722	10,245,000	10,356,000	18,500,000
Charges for Services				
Parking Meters	(80)	0	95	0
MLG&W Rent	2,000	2,400	2,400	2,400
Parking Lots	315,000	315,000	0	315,000
Tax Sales Attorney Fees	770,334	600,000	700,000	700,000
Total Charges for Services	1,087,254	917,400	702,495	1,017,400
Use of Money and Property				
Net Income/Investors	441,992	2,528	200,000	300,000
Interest on Investments	232,171	1,960,000	300,000	300,000
State Litigation Tax Commission	196,710	73,151	73,151	73,151
Total Use of Money and Property	870,873	2,035,679	573,151	673,151
Federal Grants				
Federal Grants - Others	339,748	0	94,735	0
Total Federal Grants	339,748	0	94,735	0
Other Revenues				
Commercial Revitalization Fee	60,121	50,000	50,000	50,000
Bad Check Penalties	(962)	0	0	0
Sale Of Capital Assets	442,061	25,000	25,000	25,000
Recovery Of Prior Year Expense	584,023	155,000	200,000	155,000
Unclaimed Property	56,501	0	0	0
Sewer Fund Cost Allocation	1,075,000	1,075,000	1,075,000	1,075,000
Cash Overage/Shortage	4,602	0	0	0
City Property Damage Reim	107,885	200,000	125,000	100,000
Miscellaneous Revenue	0	4,538,970	4,538,970	20,619,000
Local Other Revenue	946	0	0	0
Miscellaneous Income	322,582	36,911	36,911	36,911
Miscellaneous Auctions	1,778,079	1,800,000	2,000,000	1,800,000



GENERAL FUND

GENERAL FUND REVENUES

Sources of Revenue	FY 2010 Actual	FY 2011 Adopted	FY 2011 Forecast	FY 2012 Adopted
Class Action Litigation Revenue	2,422	0	0	0
Total Other Revenues	4,433,260	7,880,881	8,050,881	23,860,911
Transfers In				
In Lieu Of Taxes-MLGW	52,698,427	53,750,000	53,469,370	54,470,000
Tfr In - State Street Aid	0	16,811,000	16,811,000	16,811,000
In Lieu Of Taxes-Sewer	4,539,087	3,874,897	3,874,897	3,874,897
Tfr In - Solid Waste Fund	0	1,031,000	1,031,000	2,031,000
Tfr In - Sewer Operating/CIP	1,300,000	1,300,000	1,300,000	1,300,000
Tfr In - Debt Service Fund	0	51,000,000	51,000,000	20,000,000
Total Transfers In	58,537,514	127,766,897	127,486,267	98,486,897
Total Revenues\Transfers	559,455,524	634,815,930	633,558,422	643,112,709



Revenue Forecasting Methodology

The University of Memphis forecasters independently prepare quarterly reports of major revenue updates and forecasts for use in the internal decision-making done in the City of Memphis Finance Department. The forecasts have two areas of focus: forecasts for the current fiscal year's end-of-year revenues and forecasts for the next fiscal year and for each year out for ten years.

A team of three Ph.D. economists report on current economic trends that influence the City of Memphis. National, state and local economic indicators receive full discussion in both an oral presentation and written documents. These perspectives are essential for the finance department to understand and respond to a second area of focus. In the second part of the report, the team prepares numerical forecasts for the current fiscal year's end-of-year revenues, for the next fiscal year, and for each year out for ten years.

The forecasts are for more than fifty revenue variables, including total revenue for the city's general fund, subgroups of revenue sources, and individual revenue sources. The format of the forecast involves a median forecast as the single most likely value and a high/low range to indicate the degree of uncertainty. Also, for the most important single revenue sources and for total revenue, there is a more detailed risk analysis. This involves developing a downside risk assessment expressed as the probability that revenues will be at or below important levels.

The smallest revenue sources are forecasted with auto regressive, integrated, moving average models estimated with monthly or annual data that extends back to 1968 in some cases. Major revenue sources get forecasts from at least two alternative statistical models. For some variables, seasonal patterns are so reliable that end-of-year totals are accurately predicted from year-to-date data used in some of the quarterly updates. For longer-term forecasts, entirely different models are necessary.

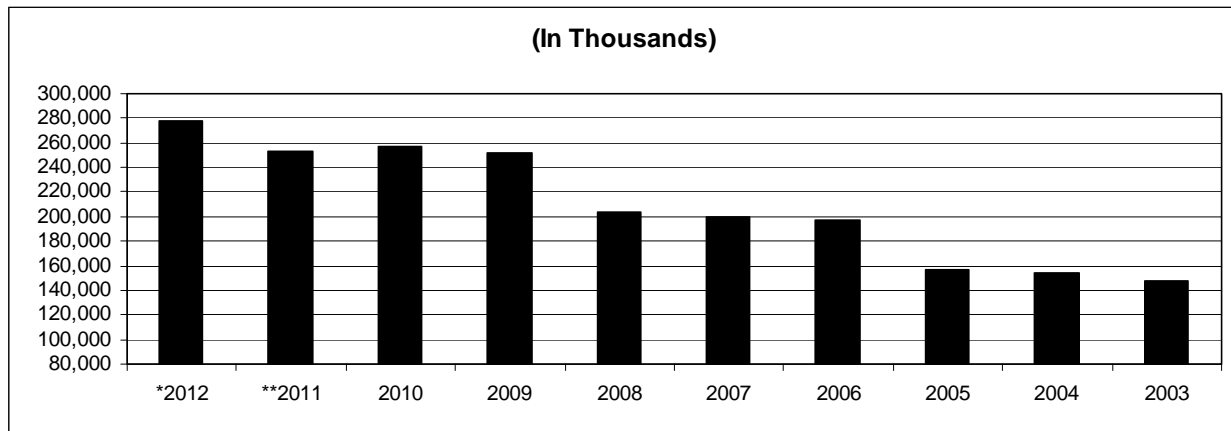
For some of the revenue sources, national and regional economic indicators are useful to add to short and long term forecast accuracy. These statistical models are combinations of auto regressive, integrated, moving average (ARIMA) modeling and regression analysis. Although some series are estimated with single equation models, others have simultaneous equation models.

Stochastic simulations of the short- and long-term models generate empirical estimates of the probability distributions for the revenue sources. These distributions are reported both for the current fiscal year and the next fiscal year. These simulation results are used to report the high/low ranges for the revenue sources and the detailed risk analyses. The high/low range end points are defined to cover the middle 50 percent of the estimated distributions for the forecasted variables. They are, in fact, the first and third quartiles that surround the median forecast. These intervals are reported for detailed lists of revenue sources, for subcategories of the general fund, and for total revenue.

The simulation results are the basis for more detailed risk analysis of total revenue, the property tax, and the sales tax. These risk reports give the quartiles and median, plus all the deciles. For example, the first decile in the forecast distribution for total revenue is the level of revenue such that there is a 10 percent probability that revenue will be at or below that level. In addition, the risk analysis estimates the probability that revenues will be at or below key levels, such as the previous year's level and the level anticipated in the operating budget. This risk analysis is a downside risk description, giving the probability that end-of-year revenue will be short of specified values.

Current Property Tax

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2012	278,106	9.87%	2007	199,564	0.92%
2011	253,100	-1.36%	2006	197,740	26.26%
2010	256,602	1.81%	2005	156,617	1.55%
2009	252,036	23.59%	2004	154,221	4.47%
2008	203,937	2.19%	2003	147,626	-1.17%



* FY 2012 Adopted
 ** FY 2011 Forecast

Property Tax is the largest source of revenue for the City. Property assessments are made by the Shelby County Tax Assessor based on the estimated appraised value and the following property classifications:

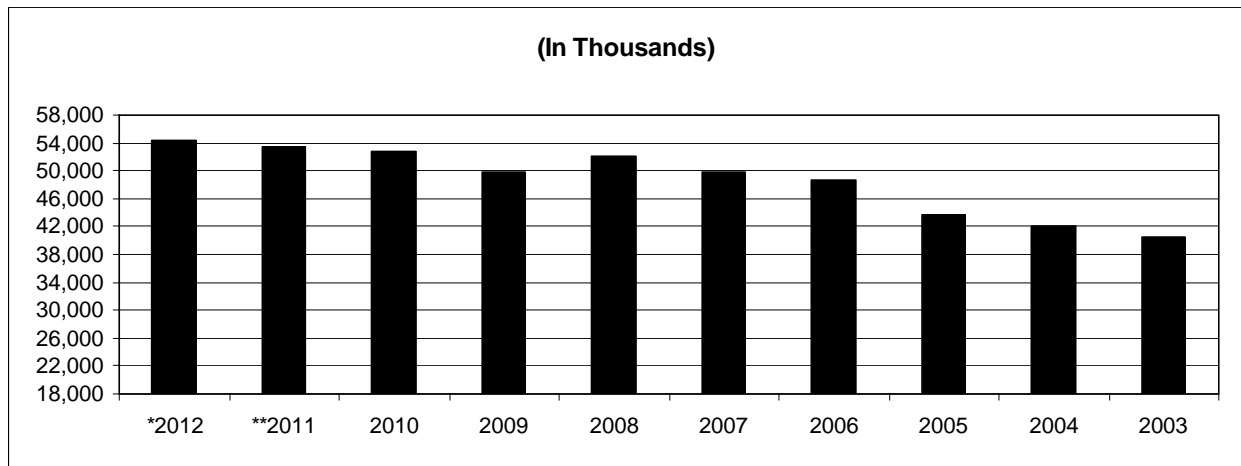
- Residential and Farm Real Property = 25% of Appraised Value
- Personal Property = 30% of Appraised Value
- Commercial and Industrial Real Property = 40% of Appraised Value
- Public Utilities and Railroads = 55% of Appraised Value Assessed by Tennessee Regulatory Authority.

Tax bills originate from, and collections are made by, the City Treasurer's Office, based on the tax rate set by the City Council and applied to the assessment rolls provided by the County Assessor and the TRA. Taxes are due and payable when the tax bills are mailed, normally July 1, and become delinquent sixty days thereafter, normally September 1. About 95% of the taxes are collected in the first four months of tax mailings. City Schools and the Debt Service Fund share proceeds of this tax. There are no restrictions on property tax increases. However, tax rates are approved by Ordinance.

Major Influences: Annexations, Assessor Appraisal, Development and Population Growth

In lieu of Tax - MLGW

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2012	54,470	1.87%	2007	49,759	2.36%
2011	53,469	1.46%	2006	48,610	11.49%
2010	52,698	5.95%	2005	43,599	3.84%
2009	49,737	-4.42%	2004	41,987	3.93%
2008	52,036	4.58%	2003	40,399	3.56%



* FY 2012 Adopted

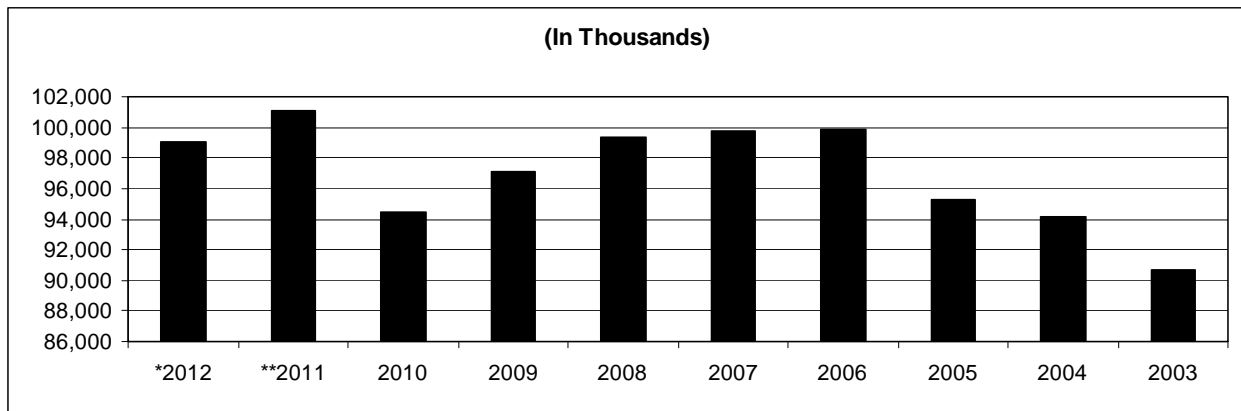
** FY 2011 Forecast

The Memphis Light Gas and Water Division makes in-lieu-of-property tax equivalent payments as provided by the Municipal Electric System Tax Equivalent Law and the Municipal Gas System Tax Equivalent Law, both of which provide a uniform formula for establishing such payments. This payment is shared with Shelby County according to State law. This revenue is limited to the calculation defined in the state law. The increase from 1999 to 2000 onward is based on the implementation of the 1988 gas tax calculation. T.C.A. 7-52-307 and 7-39-404.

Major Influences: Municipal Electric/Gas System Equivalent Tax Laws

Local Sales Tax

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2012	99,000	-2.08%	2007	99,733	-0.14%
2011	101,100	7.03%	2006	99,875	4.84%
2010	94,462	-2.68%	2005	95,260	1.21%
2009	97,065	-2.32%	2004	94,123	3.81%
2008	99,371	-0.36%	2003	90,672	-0.62%



* FY 2012 Adopted

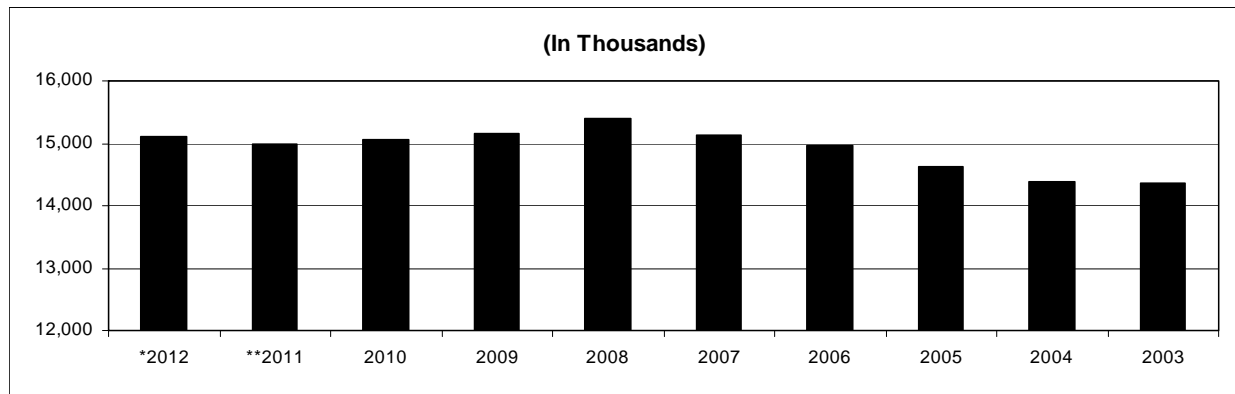
** FY 2011 Forecast

This is the second largest revenue source for the City. It is charged on the gross proceeds derived from the retail sales or use of tangible personal property and certain specific services. It is computed at 2.25% of the amount of each transaction. One half of the proceeds go to education. The last increase changed the rate from 1.5% to 2.25%, effective FY 1984.

Major Influences: Annexation, Population Growth and Taxable Sales

Beer Sales Tax

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2012	15,100	0.67%	2007	15,125	1.14%
2011	15,000	-0.38%	2006	14,954	2.28%
2010	15,057	-0.66%	2005	14,620	1.65%
2009	15,157	-1.53%	2004	14,382	0.10%
2008	15,392	1.77%	2003	14,367	-1.49%



* FY 2012 Adopted

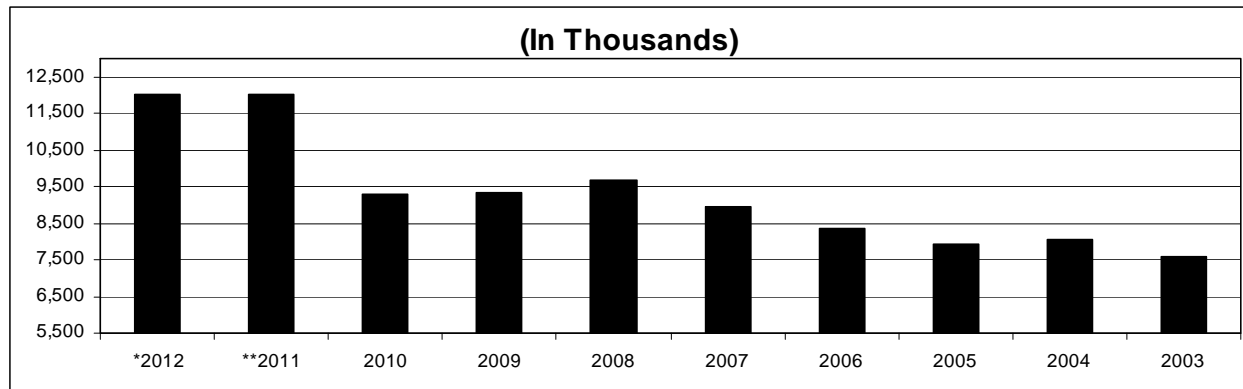
** FY 2011 Forecast

This is a 17% levy on the sale of beer at wholesale. It is collected by the wholesaler from the retailer and other persons within the corporate limits of the municipality at the time of sale. Fees are remitted to the City by the wholesaler on a monthly basis. T.C.A. 57-6-103.

Major Influences: Wholesalers Price and Consumption Rates

Gross Receipts Business Tax

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2012	12,000	0.00%	2007	8,935	6.98%
2011	12,000	29.14%	2006	8,352	5.15%
2010	9,292	-0.57%	2005	7,943	-1.49%
2009	9,346	-3.57%	2004	8,063	6.34%
2008	9,692	8.47%	2003	7,582	-2.02%



* FY 2012 Adopted
 ** FY 2011 Forecast

This is a privilege tax on the exercise of most business sales, consisting of two parts:

\$15 minimum annual license fee

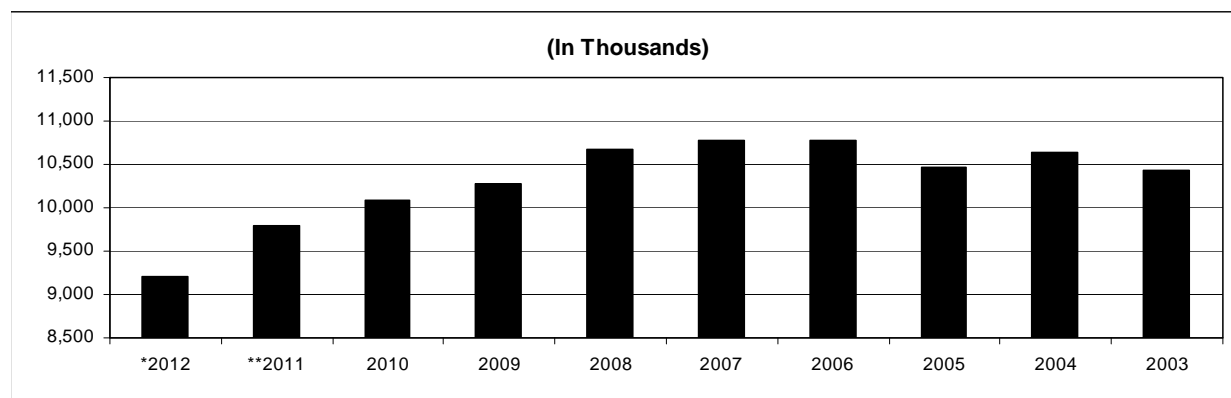
Tax on gross receipts(wholesale and retail) of the covered business activities.

Business activities are divided into five classifications, with each classification having different tax rates and taxable periods. Remittances from department stores, auto dealers, restaurants and drug stores, representing almost one-half of total receipts, are collected in the last two months of the fiscal year. Each county and/or incorporated municipality in which such a business, business activity, vocation or occupation is conducted may levy a business tax not exceeding the rates established by state law. T.C.A. 67-4-704.

Major Influences: Economy, Consumer Price Index and Gross Receipts

Auto/Vehicle Registration-Inspection Fee

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2012	9,200	-6.12%	2007	10,776	-0.05%
2011	9,800	-2.90%	2006	10,781	2.95%
2010	10,093	-1.73%	2005	10,472	-1.55%
2009	10,271	-3.80%	2004	10,637	1.97%
2008	10,677	-0.92%	2003	10,431	2.18%



* FY 2012 Adopted
** FY 2011 Forecast

All residents of the City who own/operate a motor vehicle or motorcycle for business or pleasure must register the vehicle with the City's registration agent and pay an annual registration/inspection fee as follows:

Motorcycle	\$10.00 (private) \$21.00 (commerical)
Passenger motor vehicle	\$30.00
Dealers, manufacturers, transporters	\$21.00 to \$325.00
Freight vehicles, depending on weight	\$114.00 to \$452.00
Combined farm and private truck	\$30.00 to \$376.00

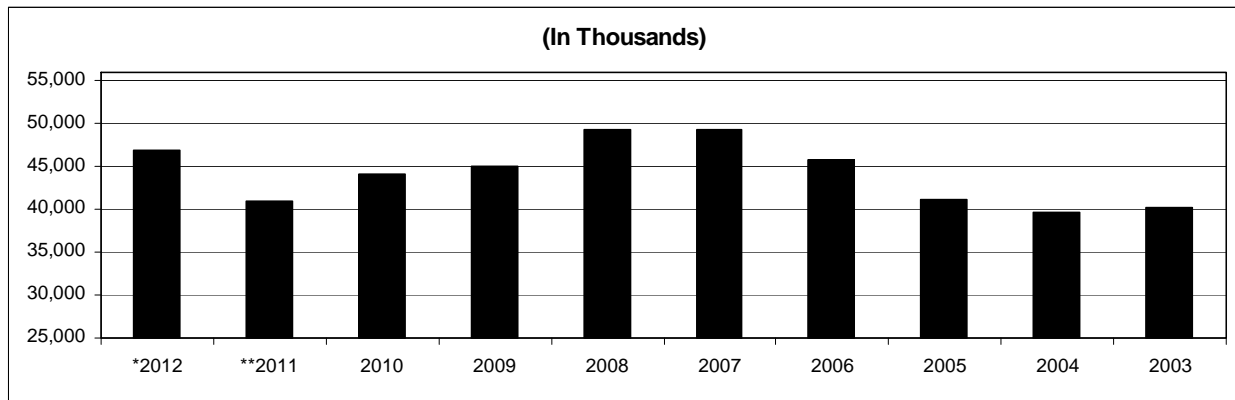
The inspection fee and registration fee were combined and transferred to the County Clerk in FY 1982. The Court Clerk remits collections to the City after deducting a collection fee.

Vehicles must pass an emissions and visual safety inspection test before being issued a city registration. Registration/Inspection fees require Ordinance change and Council approval, Section 21-266 - 307 Memphis Code.

Major Influences: Auto Sales, Vehicles Inspected and Annexations

State Sales Tax

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2012	46,863	14.30%	2007	49,244	7.49%
2011	41,000	-6.99%	2006	45,814	11.18%
2010	44,082	-2.32%	2005	41,206	3.96%
2009	45,131	-8.61%	2004	39,638	-1.44%
2008	49,381	0.28%	2003	40,216	2.74%



* FY 2012 Adopted

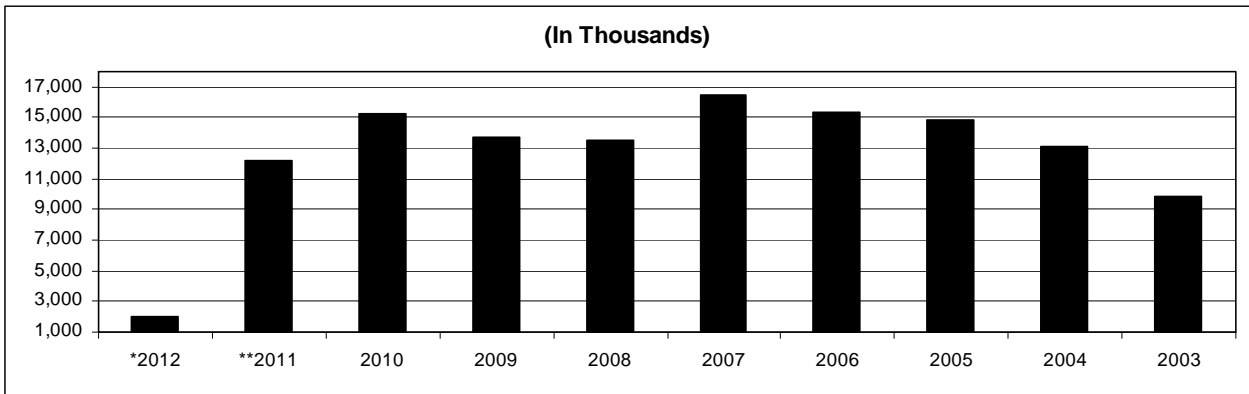
** FY 2011 Forecast

This is the largest state shared revenue the City receives. The current rate is 7.0% and is charged on each transaction described in the Local Sales Tax, 1.0% goes to the State's General Fund. Of the 6.0%, 0.5% goes to education. Municipalities receive approximately 4.5925% of collections on 5.5% of the 6%, which is allocated among the municipalities on a per capita basis. Changes in fees requires General Assembly vote, T.C.A. 67-6-103.

Major Influences: Population (relative to State) and Taxable Sales

Delinquent Property Tax w/ Interest

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2012	1,980	-83.77%	2007	16,447	7.42%
2011	12,200	-19.79%	2006	15,311	2.89%
2010	15,211	11.14%	2005	14,881	13.86%
2009	13,686	1.43%	2004	13,069	32.18%
2008	13,493	-17.96%	2003	9,887	3.89%



* FY 2012 Adopted

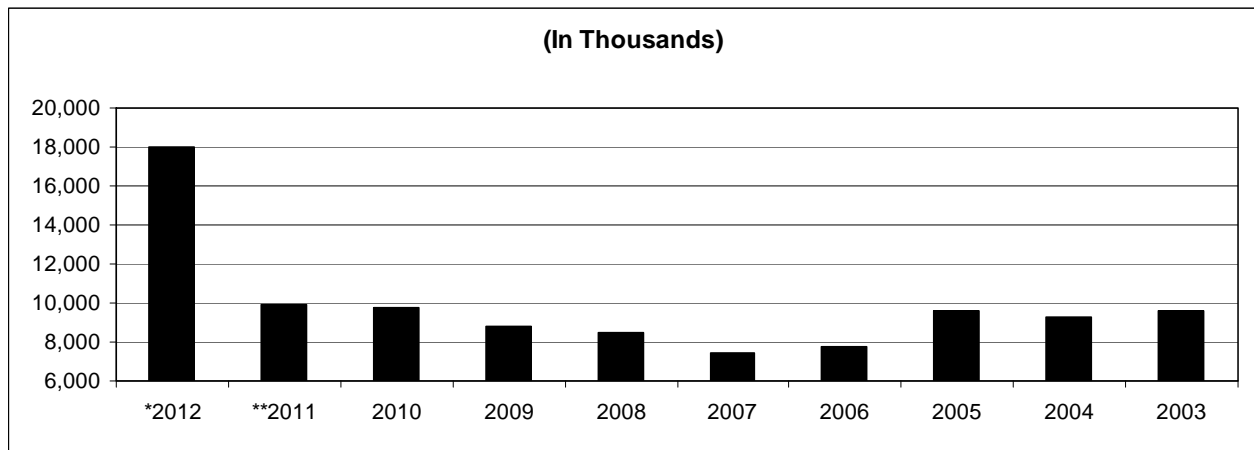
** FY 2011 Forecast

Property taxes that are not paid in the fiscal year in which they are assessed are recorded as delinquent tax receipts when they are paid in subsequent years. Between 95% to 97% of property taxes are paid in the year of assessment and approximately 40% to 50% of delinquent taxes are collected the first fiscal year they become delinquent. Delinquent payments carry an additional penalty and interest. Delinquent property tax revenue for FY2012 reflects that the City has initiated a sale of its delinquent property taxes to an outside vendor.

Major Influences: Economy and Assessor Appraisal

Court Costs/Fines

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2012	18,040	82.22%	2007	7,416	-4.76%
2011	9,900	1.49%	2006	7,787	-18.74%
2010	9,755	10.70%	2005	9,583	2.88%
2009	8,812	3.46%	2004	9,315	-2.65%
2008	8,517	14.85%	2003	9,569	-1.40%



* FY 2012 Adopted

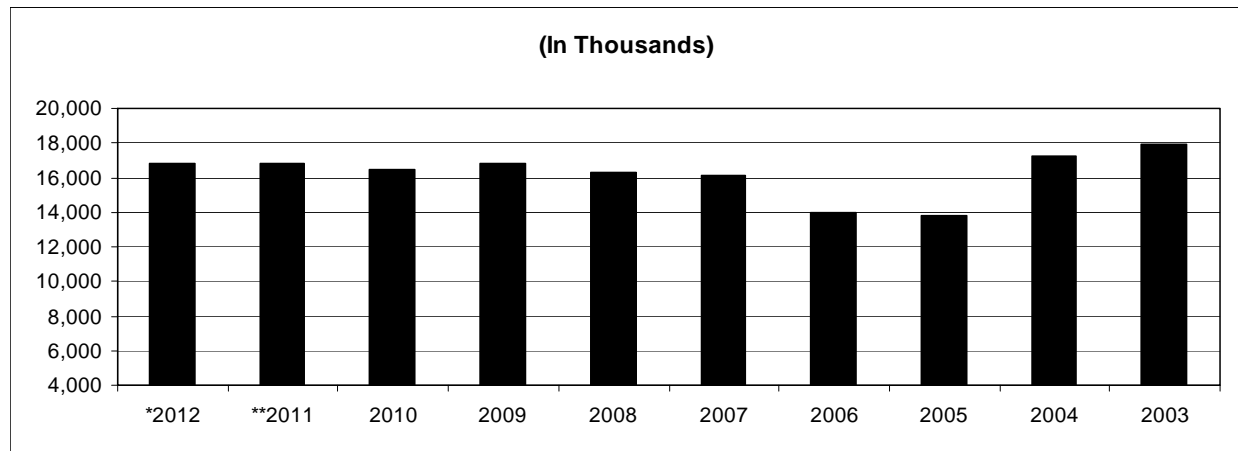
** FY 2011 Forecast

The City Court Clerk collects all City Courts fines, including court costs, fine assessments, and forfeitures in lieu-of-court appearances. Remittances are made to the City monthly. Traffic violation fines and court costs are set by the City Council. A portion of the collections is earmarked to the City Board of Education for driver education sources. Fees require Ordinance change and Council approval, Section 11-24-25 Memphis Code.

Major Influences: Population (Demographics), Crime Rate and Enforcement

Municipal State Aid

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2012	16,811	0.00%	2007	16,163	15.29%
2011	16,811	1.88%	2006	14,019	1.28%
2010	16,500	-1.85%	2005	13,842	-19.84%
2009	16,811	3.33%	2004	17,267	-3.89%
2008	16,270	0.66%	2003	17,966	11.79%



* FY 2012 Adopted

** FY 2011 Forecast

Approximately 12.7% of the .20 cents per gallon collected from gasoline pursuant to T.C.A. 67-3-201 is distributed to the municipalities in proportion to the population of each municipality, as it bears to aggregate population of all municipalities according to the federal census, 8.8% of taxes collected from .17 cents per gallon of diesel is distributed to municipalities as stated in T.C.A. 54-4-203, T.C.A. 67-3-202.

Major Influences: Population and Gasoline Sales

