
Budget Overview

Goals and Objectives

The City's Mission: to provide responsive and cost effective services through the enhancement of employees, neighborhoods, youth and business development. The Vision: to be recognized globally as the City of Choice in which to live, learn, work and recreate. The mission and vision are the primary drivers of the organization and together they impact the City's operating and capital expenditure budgets.

To achieve the City's mission and vision, our Mayor has initiated a process to frame a new strategic plan. This plan will articulate the mission, vision and values of the City of Memphis in coordination with the necessary transformation actions. The strategic plan will create a new paradigm that matches the realities of today's economic environments and our strategic priorities.

Public safety will continue to be a high priority along with economic development as the City looks for opportunities to right-size, consolidate functionally and balance fees versus taxes in the government. The overall goal for the City of Memphis is to ensure that City services will stimulate business success, and enhance the standard of living for all Memphians.

In developing the strategic plan, the Administration will consider input from the City's operating divisions, businesses, and the citizenry of Memphis. We will also reinstate, The Memphis Poll, an annual survey which provides a process by which citizens' views become a part of the planning and budgeting process. This poll, now in its 16th year gauges citizen perception of programs and services provided by the City of Memphis.

Throughout this document operating divisions have established goals and objectives that are consistent with the Mayor's transitional plans and initiatives. The finalization of the Mayor's strategic plan will manifest more fully in future annual operating and capital budgets of the City of Memphis.

State of the Economy

The US economy has experienced some of its most challenging economic conditions in over twenty years. Locally, we were charting rising unemployment in FY 2010, we now forecast stable employment levels. Housing remains as a key indicator for our success. The Greater Memphis market for housing is still yielding long periods for the completion of housing sales transactions. Another economic factor affecting our business, fuel cost, has come down. Even though there is some volatility in energy costs, we did not reflect a return to previous energy highs, experienced two years ago in our budget plan. Lastly, we see the financial and credit markets returning to profitability and better stability. The aforementioned economic realities impact our state and local economic conditions, and consequently our budget.

Our 2011 plan reflects that our recessionary pattern has bottomed out locally and we should see some leveling off of the above noted conditions, and experience a very slow return to normalcy. However, we did not budget for a return to the previous levels of revenue performance experienced in FY 2008 and FY 2009. Our expense increases primarily reflect increases in healthcare and other benefit costs.

In essence, we captured our perspective of the economic trends in our budget assumptions, made some tough choices, and prepared a plan that will continue to provide Memphians with outstanding service in an efficient and cost effective manner.



General Fund Discussion

The City of Memphis Fiscal Year FY 2011 Budget is presented in the context of the current economic conditions that are impacting the US economy. We believe there is a correlating response in the performance of our local economy with that of the United States economy. Therefore, this budget is predicated on the continuing assumption that the Memphis MSA will have slow to moderate growth during FY 2011 which is reflective of the anticipated economic performance of the national economy.

In the FY 2011 budget, this translates into conservative to moderate revenue growth. One exception is our view toward state tax revenues which are budgeted at over \$9.5 million less than the FY 2010 adopted budget. It is our belief that these revenues will not rebound to previous levels but will show stabilization from the worst of the economic recession experienced over the last two years.

The FY 2011 Revenue Plan is projected at approximately 9.9% more than the FY 2010 adopted budget. However, declining state tax revenues, including a poor state sales tax performance, are being offset by stronger property tax revenues. Local option sales taxes also performed poorly through the recessionary period but were partially offset by effective collection of fines and fees.

Also included in this revenue plan is a transfer of \$41.0 million from the Debt Service Fund. This additional funding provides revenue to support school funding commitments. Excluding the debt service transfer revenues increased only 3%. For FY 2011, our revenue plan does not include a property tax increase over the property tax rate approved last year.

The FY 2011 Operating Expense Budget provides for core services delivery and our public safety initiatives. Although, we have exercised fiscal prudence, we expect the quality of our service delivery to remain strong. There is \$60.0 million of new expenses included in the budget for schools. Without this expenditure our expense budget goes from \$673.1 million to \$613.1 million. This is only a 1.9% increase over the FY 2010 budget.

Our budgeting efficiency has absorbed our major cost drivers for FY 2011. These include health insurance, \$15.9 million; pension cost, \$3.2 million, and direct support to our Convention Center and the Memphis Shelby County Planning and Development Department. We remain committed to seeking and evaluating opportunities to restructure costs to insure the most cost effective options are in place.

Our vision is that Memphis is a "City of Choice". We value a clean and safe community; therefore, our budgets will continue to provide solid funding to maintain *City of Choice* initiatives. Our expense budget further supports our goal of being First, Best, and Only in Medicine, Logistics, Tourism and other areas that will continue to transform our community and grow our economy.

Other Funds Discussion

Special Revenue Fund

Special Revenue funds provide budgets for specific revenue sources that are restricted to expenditures for specific purposes. These funds are identified in the special revenue funds section of this book. The FY 2011 proposed budget is \$56.2 million which reflects a 7.3% increase from the FY 2010 adopted budget. The increase is primarily driven by required increases in healthcare and pension costs, especially in the Solid Waste Fund.

Debt Service Fund

The Debt Service Fund provides for the accumulation of resources for the payment of general long-term debt principal, interest and related costs. There is a 29.4% or \$29.7 million increase in total expense when comparing the FY 2011 proposed budget with the FY 2010 adopted budget. The primary increase in expense is due to the increased transfer to the general fund for the purposes of school funding.

Enterprise Fund

The Enterprise Fund revenues proposed for FY 2011 increased by approximately 13.7% or \$12.1 million from the FY 2010 adopted budget. Proposed Enterprise Fund revenues compared to the FY 2010 forecast show a 35% increase. The revenue has increased because of a proposed sewer rate increase for FY 2011. This increase is planned to cover increased healthcare and pension costs, as well as, newly initiated mandates required to keep the sewer operations environmentally sound.

Internal Service Fund

Internal Service Funds (ISF) are used to budget for the costs of goods or services provided by one division to other City divisions. These costs are reimbursed by using divisions to the division or service center providing the service. The Internal Service Funds proposed budget is \$152.6 million, about 20% greater than the FY 2010 adopted budget. The funds' increases are also primarily driven by increases in healthcare claim costs. There is a premium increase in the Healthcare ISF to partially offset the increased claim cost. The Fleet ISF also reflects increased costs due to healthcare and other benefit related costs.

