

## ■ operating budget

Sources of Revenue	FY 2009 Actual	FY 2010 Adopted	FY 2010 Forecast	FY 2011 Adopted
Local Taxes	414,907,933	412,614,167	420,067,091	422,636,835
State Taxes	59,035,786	61,653,667	51,553,412	52,045,528
Licenses and Permits	10,863,887	11,250,873	11,191,822	11,287,710
Fines and Forfeitures	9,371,777	8,873,855	9,645,000	10,245,000
Charges for Services	1,150,002	912,877	917,400	917,400
Use of Money and Property	3,064,197	3,515,669	2,092,796	2,035,679
Federal Grants	93,407	0	0	0
State Grants	15,568	0	0	0
Other Revenues	3,592,037	4,156,471	4,166,751	7,880,881
Transfers In	61,623,216	74,322,433	74,684,323	127,766,897
<b>Total Revenues\Transfers</b>	<b>563,717,810</b>	<b>577,300,012</b>	<b>574,318,595</b>	<b>634,815,930</b>

## ■ issues & trends

The Operating Budget Revenue for FY 2011 totals \$634,815,930. This represents a revenue increase of \$57.5M or 9.9% from the FY 2010 Adopted Budget.

Our largest revenue source, local taxes are projected to increase \$10.0M or 2.4% from the FY 2010 Adopted Budget. State taxes, our second largest revenue source is projected to decline by \$9.6M or -15.5% from the FY 2010 Adopted Budget.

Other sources of revenue that contribute to the operating budget are Transfers In. They are projected to increase by \$53.4M from FY 2010 Adopted Budget. Transfers In include \$41.0M from bond refinancing.

# GENERAL FUND

# GENERAL FUND REVENUES

Sources of Revenue	FY 2009 Actual	FY 2010 Adopted	FY 2010 Forecast	FY 2011 Adopted
<b>Local Taxes</b>				
Beer Sales Tax	15,157,111	15,474,000	14,600,000	14,673,000
MLGW/Williams Pipeline	315,874	315,000	315,000	315,000
Bankruptcy Interest & Penalty	188,876	500	150,000	151,500
Ad Valorem Tax Prior	6,879,117	6,488,540	7,500,000	7,800,000
Alcoholic Beverage Inspection Fee	4,124,338	3,989,513	3,989,513	4,000,000
Warrants and Levies	1,300	1,766	1,766	1,000
Cable TV Franchise Fees	4,342,095	4,165,105	4,500,000	4,545,000
Misc Franchise Tax	574,599	436,969	500,000	500,000
Misc Tax Recoveries	2,385,583	1,863,899	2,000,000	2,000,000
Bank Excise Tax	1,035,770	792,987	792,987	792,987
PILOT's	5,088,114	5,143,361	5,143,361	5,220,511
Local Sales Tax	97,064,785	95,764,000	95,080,000	95,000,000
Gross Rec Business Tax	9,346,083	9,162,639	8,500,000	8,287,500
Interest, Penalties & Commission	341,270	222,337	222,337	222,337
Ad Valorem Tax - Current	252,035,751	253,387,184	260,400,000	262,743,000
Property Taxes Interest & Penalty	6,806,777	6,759,000	6,100,000	6,161,000
State Appointment TVA	6,806,191	6,000,000	7,778,557	7,700,000
Special Assessment Tax	87,847	93,570	93,570	100,000
Mixed Drink Tax	2,326,452	2,553,797	2,400,000	2,424,000
<b>Total Local Taxes</b>	<b>414,907,933</b>	<b>412,614,167</b>	<b>420,067,091</b>	<b>422,636,835</b>
<b>State Taxes</b>				
State Shared Beer Tax	359,490	370,912	345,000	345,000
Spec Petroleum Product Tax	1,480,712	1,488,412	1,488,412	1,473,528
Telecommunication Sales Tax	83,744	114,778	60,000	61,800
State Income Tax	11,710,409	12,600,000	8,400,000	8,900,000
Alcoholic Beverage Tax	270,639	247,056	260,000	265,200
State Sales Tax	45,130,792	46,832,509	41,000,000	41,000,000
<b>Total State Taxes</b>	<b>59,035,786</b>	<b>61,653,667</b>	<b>51,553,412</b>	<b>52,045,528</b>
<b>Licenses and Permits</b>				
Beer Permit Privilege Tax	141,491	163,880	140,000	140,000
Wrecker Permit Fee	18,553	9,088	9,088	9,088
Gaminy Pub Amus Perm Fee	13,280	20,957	13,000	13,000
Beer Application	55,830	83,431	68,000	57,000
Taxi Drivers License	23,780	28,217	28,217	28,217
Liquor By Ounce License	270,544	270,405	270,405	270,405
Misc Permits	69,153	81,783	70,000	70,000
Auto Registration Fee	10,271,256	10,593,112	10,593,112	10,700,000
<b>Total Licenses and Permits</b>	<b>10,863,887</b>	<b>11,250,873</b>	<b>11,191,822</b>	<b>11,287,710</b>



# GENERAL FUND

# GENERAL FUND REVENUES

Sources of Revenue	FY 2009 Actual	FY 2010 Adopted	FY 2010 Forecast	FY 2011 Adopted
<b>Fines and Forfeitures</b>				
Fines & Forfeitures	147,631	160,585	139,000	139,000
Arrest Fees	255,260	279,741	256,000	256,000
Court Fees	5,035,357	4,621,660	5,100,000	5,700,000
Court Costs	3,777,186	3,732,321	4,000,000	4,000,000
Beer Board Fines	156,343	79,548	150,000	150,000
<b>Total Fines and Forfeitures</b>	<b>9,371,777</b>	<b>8,873,855</b>	<b>9,645,000</b>	<b>10,245,000</b>
<b>Charges for Services</b>				
Parking Meters	80	0	0	0
Outside Revenue	6,500	0	0	0
MLG&W Rent	2,400	2,400	2,400	2,400
Parking Lots	315,000	315,000	315,000	315,000
Tax Sales Attorney Fees	803,585	595,477	600,000	600,000
Traffic Signals	22,437	0	0	0
<b>Total Charges for Services</b>	<b>1,150,002</b>	<b>912,877</b>	<b>917,400</b>	<b>917,400</b>
<b>Use of Money and Property</b>				
Net Income/Investors	816,304	2,528	19,645	2,528
Interest on Investments	2,103,529	3,439,990	2,000,000	1,960,000
State Litigation Tax Commission	144,364	73,151	73,151	73,151
<b>Total Use of Money and Property</b>	<b>3,064,197</b>	<b>3,515,669</b>	<b>2,092,796</b>	<b>2,035,679</b>
<b>Federal Grants</b>				
Federal Grants - Others	93,407	0	0	0
<b>Total Federal Grants</b>	<b>93,407</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>State Grants</b>				
TEMA Reimbursement	15,568	0	0	0
<b>Total State Grants</b>	<b>15,568</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other Revenues</b>				
Commercial Revitalization Fee	59,800	50,000	50,000	50,000
Mphs Brd of Ed Claims Settlement	0	0	0	0
Bad Check Penalties	461	4,968	4,968	0
Sale Of Capital Assets	2,000	31,922	31,922	25,000
Recovery Of Prior Year Expense	170,185	405,797	405,797	155,000
Unclaimed Property	0	0	56,501	0
Sewer Fund Cost Allocation	1,075,000	1,075,000	1,075,000	1,075,000
Cash Overage/Shortage	2,322	393	393	0
Treasurer - Misc Collections	0	200	200	0
City Property Damage Reim	252,745	271,221	225,000	200,000



# GENERAL FUND

# GENERAL FUND REVENUES

Sources of Revenue	FY 2009 Actual	FY 2010 Adopted	FY 2010 Forecast	FY 2011 Adopted
Miscellaneous Revenue	0	0	0	4,538,970
Local Other Revenue	0	0	0	0
Miscellaneous Income	69,384	36,911	36,911	36,911
Court Reimbursement	0	1,597	1,597	0
Local Shared Revenue	6,100	0	0	0
Miscellaneous Auctions	1,954,040	2,278,462	2,278,462	1,800,000
<b>Total Other Revenues</b>	<b>3,592,037</b>	<b>4,156,471</b>	<b>4,166,751</b>	<b>7,880,881</b>
<b>Transfers In</b>				
In Lieu Of Taxes-MLGW	49,736,535	52,336,536	52,698,426	53,750,000
Tfr In - State Street Aid	0	16,811,000	16,811,000	16,811,000
In Lieu Of Taxes-Sewer	4,586,681	3,874,897	3,874,897	3,874,897
Tfr In - Sewer Operating/CIP	1,300,000	1,300,000	1,300,000	1,300,000
Tfr In - Solid Waste Fund	0	0	0	1,031,000
Tfr In - Debt Service Fund	6,000,000	0	0	51,000,000
<b>Total Transfers In</b>	<b>61,623,216</b>	<b>74,322,433</b>	<b>74,684,323</b>	<b>127,766,897</b>
<b>Total Revenues\Transfers</b>	<b>563,717,810</b>	<b>577,300,012</b>	<b>574,318,595</b>	<b>634,815,930</b>



## 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.

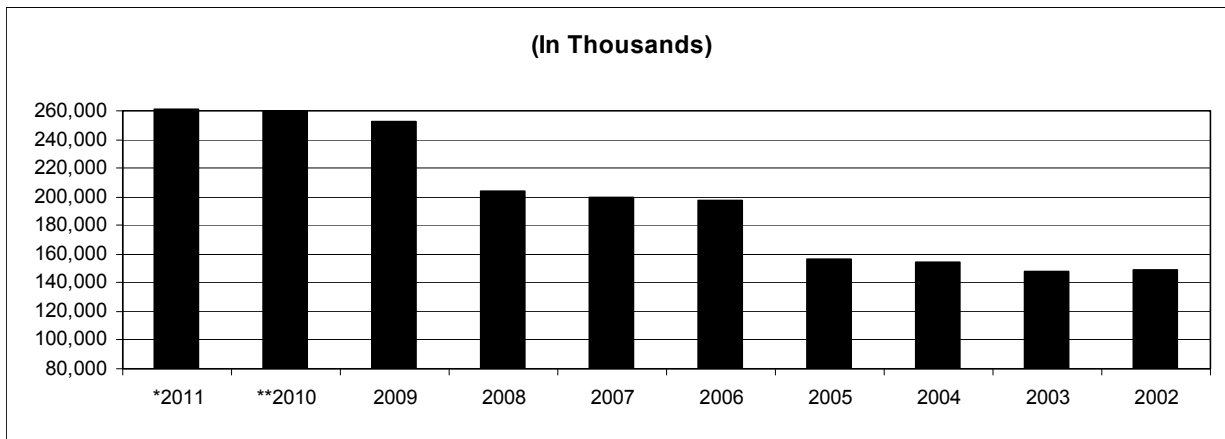
For some of the revenue sources, national and regional economic indicators are useful to add to short and long term forecast accuracy. These statistical models are combinations of auto regressive, integrated, moving average (ARIMA) modeling and regression analysis. Although some series are estimated 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
2011	262,743	0.08%	2006	197,740	26.26%
2010	260,400	3.32%	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%
2007	199,564	0.92%	2002	149,375	3.45%



\* FY 2011 Adopted  
 \*\* FY 2010 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. The last decrease changed the rate from 3.25 to 3.19, effective FY 2009.

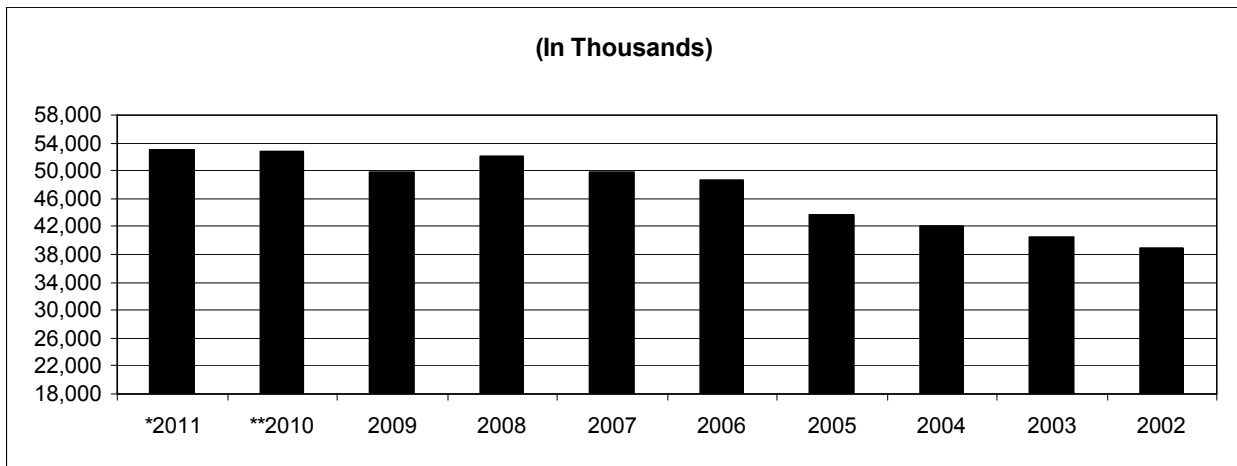
Major Influences: Annexations, Assessor Appraisal, Development and Population Growth

# GENERAL FUND

# GENERAL FUND REVENUES

## In lieu of Tax - MLGW

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2011	53,750	0.52%	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%
2007	49,759	2.36%	2002	39,010	-2.24%



\* FY 2011 Adopted

\*\* FY 2010 Forecast

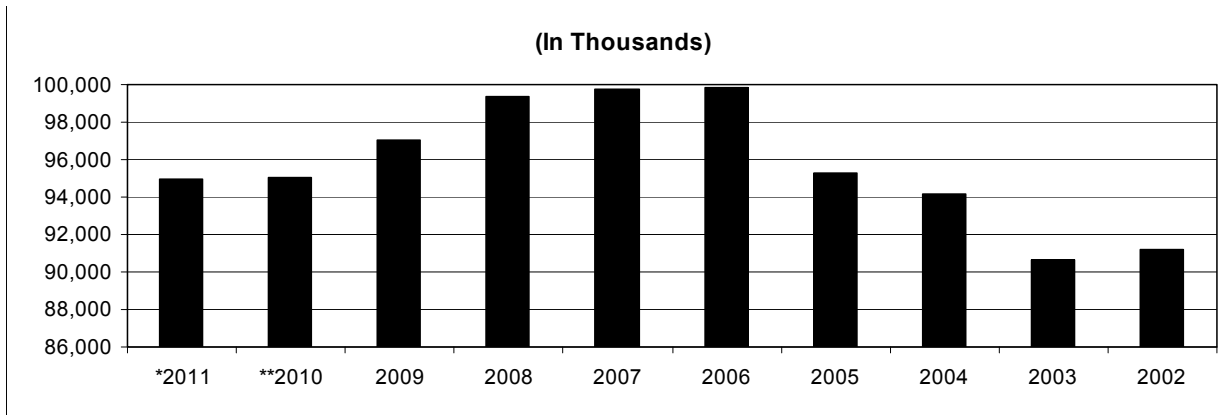
The Memphis Light Gas and Water Division makes in-lieu-of-property tax equivalent payments as provided by the Municipal Electric System Tax Equivalent Law and the Municipal Gas System Tax Equivalent Law, both of which provide a uniform formula for establishing such payments. This payment is shared with 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**

<b>Year</b>	<b>Amount</b>	<b>% Inc/Dec</b>	<b>Year</b>	<b>Amount</b>	<b>% Inc/Dec</b>
2011	95,000	-2.08%	2006	99,875	4.84%
2010	95,080	-2.05%	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%
2007	99,733	-0.14%	2002	91,238	7.35%



\* FY 2011 Adopted  
 \*\* FY 2010 Forecast

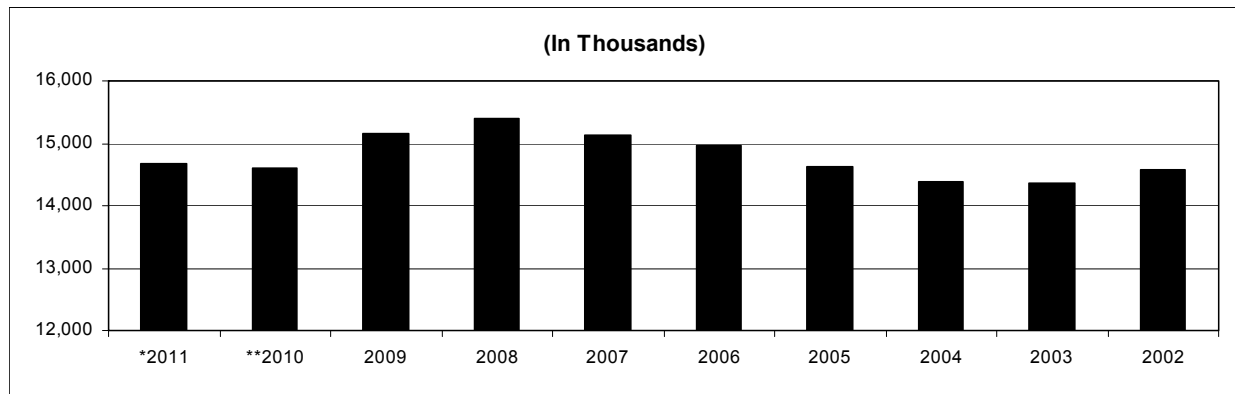
This is the second largest revenue source for the City. It is charged on the gross proceeds derived from the retail sales or use of tangible personal property and certain specific services. It is computed at 2.25% of the amount of each transaction. One half of the proceeds go to education. The last increase 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
2011	14,673	0.50%	2006	14,954	2.28%
2010	14,600	-3.67%	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%
2007	15,125	1.14%	2002	14,585	2.47%



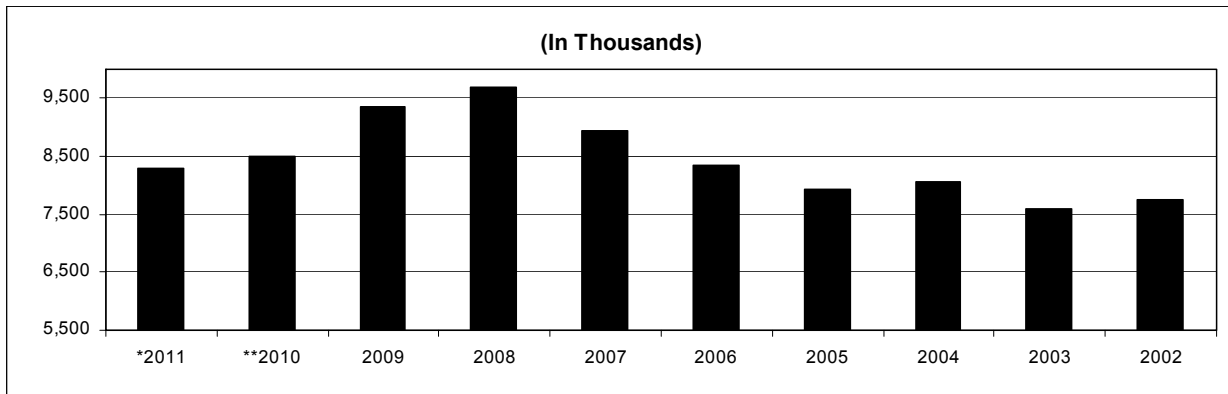
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 \*\* FY 2010 Forecast

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
2011	8,288	-2.49%	2006	8,352	5.15%
2010	8,500	-9.05%	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%
2007	8,935	6.98%	2002	7,738	9.88%



\* FY 2011 Adopted  
 \*\* FY 2010 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.

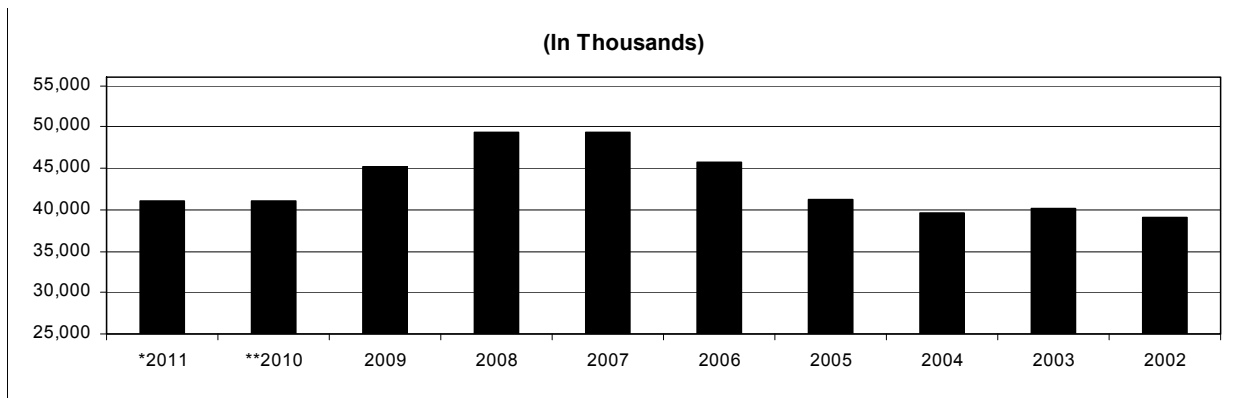
Business activities are divided into five classifications, with each classification having different tax rates and taxable periods. Remittances from department stores, auto dealers, restaurants and drug stores, representing almost one-half of total receipts, are collected in the last two months of the 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



**State Sales Tax**

<b>Year</b>	<b>Amount</b>	<b>% Inc/Dec</b>	<b>Year</b>	<b>Amount</b>	<b>% Inc/Dec</b>
2011	41,000	0.00%	2006	45,814	11.18%
2010	41,000	-9.15%	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%
2007	49,244	7.49%	2002	39,145	4.75%



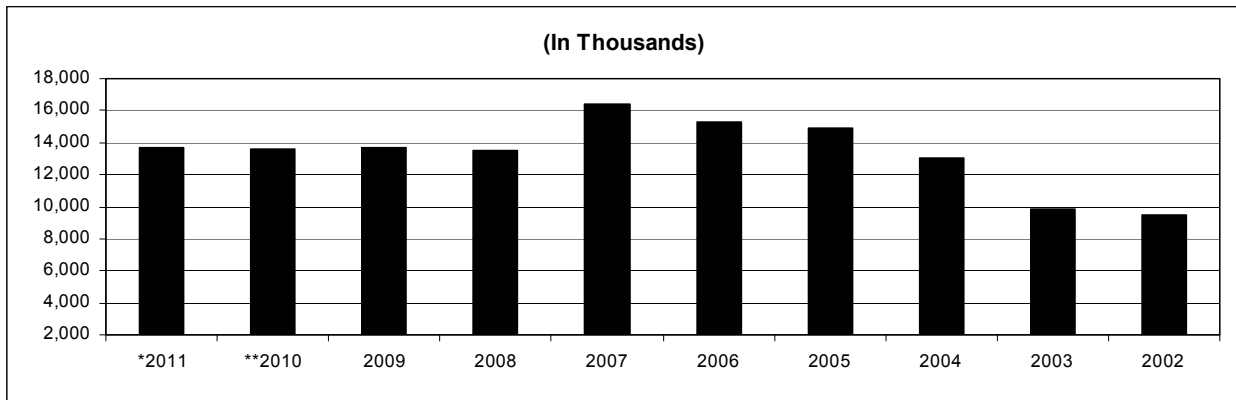
\* FY 2011 Adopted  
 \*\* FY 2010 Forecast

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**

<b>Year</b>	<b>Amount</b>	<b>% Inc/Dec</b>	<b>Year</b>	<b>Amount</b>	<b>% Inc/Dec</b>
2011	13,961	0.45%	2006	15,311	2.89%
2010	13,600	-0.63%	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%
2007	16,447	7.42%	2002	9,517	38.63%



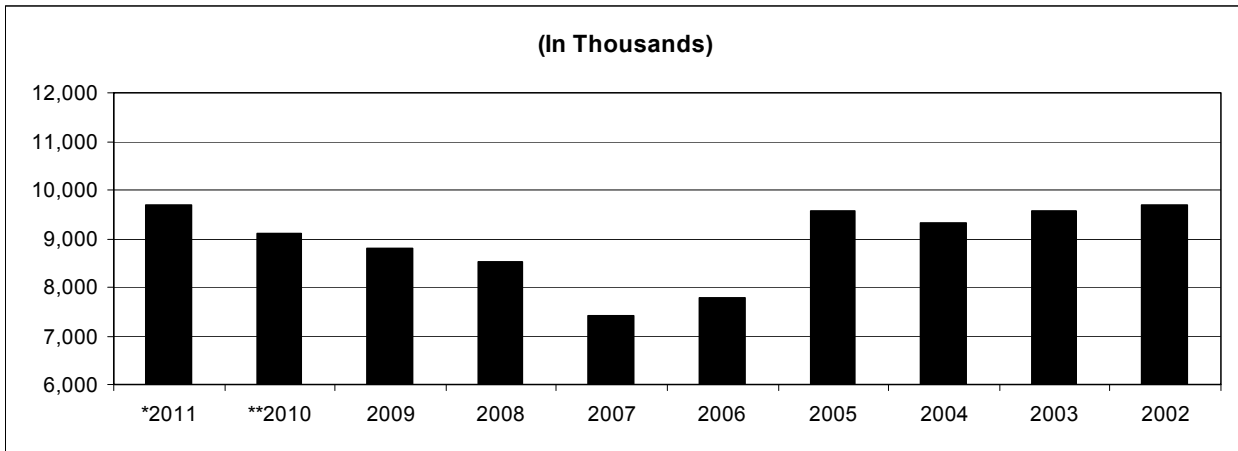
\* FY 2011 Adopted  
 \*\* FY 2010 Forecast

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.

Major Influences: Economy and Assessor Appraisal

**Court Costs/Fines**

<b>Year</b>	<b>Amount</b>	<b>% Inc/Dec</b>	<b>Year</b>	<b>Amount</b>	<b>% Inc/Dec</b>
2011	9,700	6.59%	2006	7,787	-18.74%
2010	9,100	3.27%	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%
2007	7,416	-4.76%	2002	9,705	8.51%



\* FY 2011 Adopted  
 \*\* FY 2010 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.

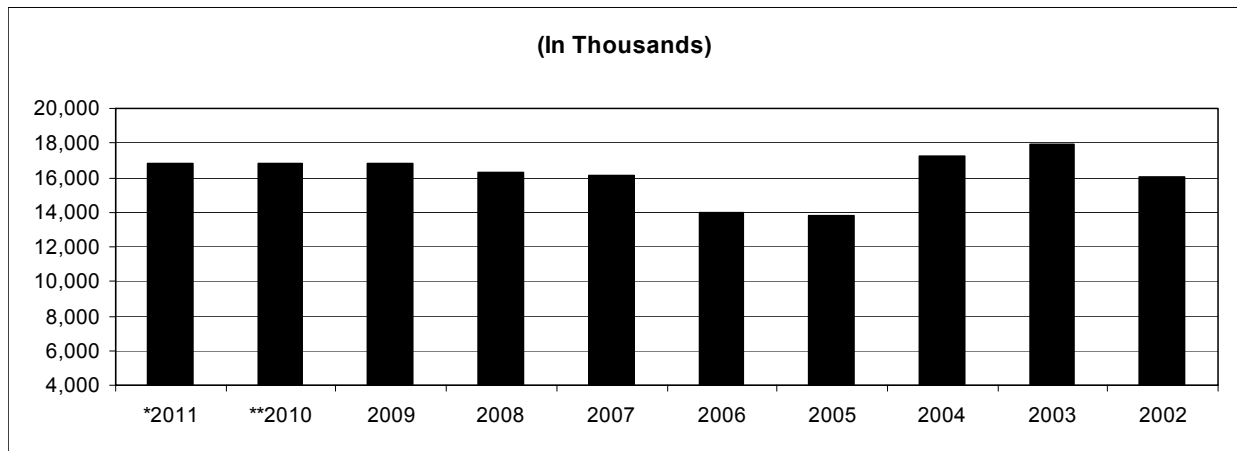
Major Influences: Population (Demographics), Crime Rate and Enforcement

# GENERAL FUND

# GENERAL FUND REVENUES

## Municipal State Aid

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2011	16,811	0.00%	2006	14,019	1.28%
2010	16,811	0.00%	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%
2007	16,163	15.29%	2002	16,071	110.97%



\* FY 2011 Adopted

\*\* FY 2010 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



