

Budget Overview

There is a correlating response in the performance of our local economy with that of the United States economy. As such, The City of Memphis Fiscal Year FY 2010 Budget is presented in the context of the current economic conditions that are impacting the US economy. Consequently, this budget proposal is predicated on the assumption that the Memphis MSA will have slow to moderate growth during FY 2010, which is reflective of the anticipated economic performance of the US economy. In the FY 2010 budget proposal, this translates into steady revenue growth, however, at a more conservative pace than previous years.

General Fund

The US economy is experiencing some of its most challenging economic times in over twenty years. Rising unemployment, a housing market crisis, unpredictable fuel costs, and instability in the financial and credit markets have contributed to the lowest consumer confidence index numbers since 1982. The aforementioned economic realities impact our State and Local economic conditions. These circumstances translate into reduced revenues for our city and others across the US. In the FY 2010, Budget process we have captured the current economic trends, made some tough choices, and prepared a plan that will continue to provide Memphians with outstanding service in an efficient and cost effective manner.

The FY 2010 Revenue Plan is projected at almost 1% less than the FY 2009 forecast. A declining state sales tax has reduced our revenue budget by almost \$5.0 million, however, our current property taxes, and effective collections of fines and fees have helped to somewhat offset the State tax impact. Our revenue plan does not include a tax increase and we do not project any transfer in of resources from the Debt Service fund.

The FY 2010 Operating Expense Budget provides for core services. The quality of our service delivery remains strong. Because of our fiscal prudence, proposed expenses will decrease by approximately 1.0% from the FY 2009 projection to \$617.3 million. We remain committed to Public Safety. Our budget reflects adequate funding to support our public safety initiatives and includes a 3% salary increase for public safety employees, as well as, other city workers. We are also pursuing federal funding to hire additional officers over the next three fiscal years.

The largest cost increase over FY 2009 across Divisions is the 3 % salary increase for all employees, budgeted at \$11 million. To balance this increase, we have eliminated funding for over 130 vacant positions (without laying off any employees), and streamlined services in several Divisions including Parks and Public Services. In these areas, we have reduced the operating hours of our libraries and community centers. These service reductions have been planned at times that will least impact our citizens.

We value a clean, safe community, therefore, we continue to provide solid funding to the Division of Community Enhancement. This Division was created from the reorganization of existing operating functions previously reported in the Division of Housing and Community Development and the General Services Division. The Division works diligently to enforce code regulations and to rid the city of blighted neighborhoods.

GASB 45 requires the City to value the cost of providing post employment health care benefits (OPEB). In FY 2008, we established an investment trust to pre-fund \$3.0 million in future OPEB obligations. For FY 2010, over \$5.0 million has been budgeted for post employment benefits.

Other Funds

Special Revenue Fund

The 2010 adopted budget is \$58.8 million which reflects a 1.2% decrease from the 2009 adopted budget. The decrease is primarily driven by charges for services.

Debt Service Fund

There is a 2.4% or \$2.4 million decrease in total revenue when comparing the FY 2009 forecast with the FY 2010 adopted budget. Decreases in Other Intergovernmental Revenues, \$1.5 million; In-Lieu of tax payments, \$0.4 million transfers from the General Fund \$1.6 million; and transfers from Municipal State Aid \$0.4 million, were offset by a \$1.5 million increase in the collection of Current Property Taxes. Debt Service Fund Expenditures for FY 2010 are planned to decrease by \$6.8 million from the FY 2009 forecast. The 50% decrease in fund balance is due to increased debt service interest and principal payments and a \$10.0 million transfer to the *General Fund*.



Enterprise Fund

The Enterprise Fund revenues increased by approximately 12.8% or \$10.1 million from the FY 2009 forecast to the FY 2010 budget. Revenue increases are attributed to interest on investments of \$1.9 million and Sewer fees of \$5.2 million in the Sewer Fund. Storm water Fund fees increased by \$1.9 million. Expenses in the Sewer and Storm Water funds have increased by 12% and 9% respectively. The primary sources of this increase are the 3% wage increases and the impact of the change in net assets.

Internal Service Fund

This fund proposed budget is \$125.7 million, about 1% greater than the forecast.

Goals and Objectives

The City's Mission: to provide responsive and cost effective services through the enhancement of employee, neighborhood, 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. Together they impact the fiscal expenditures in the City's operating and capital improvement budgets.

To achieve the City's mission, a strategic plan has been set in place that articulates the mission, vision and values of the City of Memphis. The plan further identifies four key focus areas: Public Safety and the Reduction of Crime, Youth and Neighborhood Enhancements, Business Services and Fiscal and Staff Accountability. Within the key focus areas, measurement indicators have been established to evaluate accomplishments and to identify areas that require continued improvement. The overall goal for the City of Memphis: to ensure that City services will stimulate business success, and enhance the standard of living for all Memphians.

In developing the plan, the Administration considers wide input from the City's operating divisions, businesses and the citizenry of Memphis. The Memphis Poll provides a process by which citizens view and 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.

The finalization of the plan manifests into the annual operating and capital budgets of the City of Memphis. The Memphis City Council has final responsibility for approving certain programs, policies and the operating and capital improvement budgets. The initiatives of the plan are monitored throughout the life of the plan for continuous quality improvement and adjustment to planning priorities. Throughout this document Divisions have established goals and objectives that are their contribution to advancing the City's mission and meeting its goals.