



April 21, 2009

Changing Government to Better Serve Our Constituents

Members of the Memphis City Council and citizens of Memphis:

I am honored to present the proposed annual budget for the City of Memphis for the fiscal year beginning July 1, 2009 and ending June 30, 2010.

I sincerely appreciate the Memphis City Council's support over the past year as we have managed the effects of the global economic downturn.

On behalf of the citizens of Memphis, I present an Operating Budget of \$617 million and a Capital Improvement Program Budget (CIP) of \$1.4 billion. The CIP includes \$208 million for Fiscal Year 2010, with approximately \$125 million funded by General Obligation Bond proceeds.

As you will see in the pages of this proposed budget, we have made some really tough decisions to lessen the impact of service reductions on Memphis residents, while maintaining the quality of our core services. Our priorities and commitments are more important now than ever.

I won't dwell on the negative economic data that we hear everyday. Instead, I want to focus on the positive. City of Memphis government is on solid ground financially and here is why: Over the past several years, we have made tough decisions, taken prudent steps to streamline operations, and have aggressively managed expenses. We are in much better shape than many other municipalities today. Our current financial strength is due to the Memphis City Council standing firmly with this administration over the years to make tough decisions for the good of City government and the residents we serve. We made those difficult decisions to ensure that the City's long-term financial outlook remained positive. That's what leaders do. They think strategically and focus on the long range vision of the organization.

Thanks to our strategic planning, fiscal prudence, and perseverance, we've generated operating surpluses for three consecutive fiscal years and have restored our reserves to a record high of about \$89 million. This did not occur by happenstance. Smart, effective management and a little good fortune drove these successful results.

Our actions leading up to the current financial slowdown are a testament to our prudent financial policies. As good stewards of taxpayer dollars, we keep our eyes on the horizon. In doing so, we saw the effects of a possible economic slowdown afar off and fine-tuned plans and changed course when needed to mitigate the impact. Several strategies have enabled us to bridge the \$25 million gap previously projected for FY2010.

The first strategy involves the pursuit of federal dollars for public safety that are available to local municipalities.



Not only will this funding allow us to hire 300 additional police officers over the next three fiscal years without increasing the burden on Memphis taxpayers, but it also frees up about \$3.1 million for other public safety initiatives.

Another strategy is to more narrowly define our scope of core services. This budget reflects a reduction in the level of resources committed to non-core public services like grants awarded to non-profit agencies. Also, the cost sharing arrangements between Memphis and Shelby County to fund countywide services will be modified. These cost saving strategies will reduce our expenditures by more than \$10 million in FY2010.

Moving on to revenue, City government revenue is inextricably linked to the local, national and global economies. Our revenues have declined as economic conditions have steadily worsened over the past year. Many local companies have announced layoffs and some businesses have closed. These developments have caused a decline in consumer confidence. When consumer confidence declines, so do our revenues. Why? A third of our revenues are derived from local and state sales taxes and state income taxes. Over the past year, local sales tax collections have declined by three percent, while state sales tax collections have dropped by six percent, costing us about \$6 million in revenue. We anticipate that sales tax revenues will continue to lag by a similar amount in Fiscal Year 2010. This budget proposal includes measures to fill this revenue gap.

Despite the harsh economic climate, I am proud to present a proposed budget that not only is balanced, but also calls for **no property tax increase**. This budget also includes funding for a three percent salary increase for police, fire, solid waste and all other City employees. Why provide a raise to employees when many businesses are cutting back? First, we are asking our employees to do more and more as we continue to streamline service delivery and realize efficiencies wherever we can. Second, our employees feel the pinch of the recession, too. Thanks to the sound financial policies we have followed over the years, we are able to continue to show our appreciation for their hard work and dedication by adequately compensating them.

Despite these increases, this budget is lean and tight. We've gone through it line by line to identify areas where we can cut costs, modify services and make necessary personnel adjustments. One way we have realized cost savings is by modifying our service delivery model as it relates to our Parks and Public Services Divisions. For example, City golf courses will be open fewer hours, as will community centers and libraries. These measures enable us to make sure that every full-time employee working for us today has the opportunity to work for us tomorrow. However, since personnel costs make up about 70 percent of our operating budget, we focused on other opportunities to cut expenses in this area. Therefore, rather than laying off a single full-time employee, we have eliminated funding for over 125 vacant positions across the organization.

We also plan to revamp our approach to collecting delinquent property taxes. Recently, Shelby County Trustee Paul Mattila submitted a proposal to handle current and delinquent property tax collections for the City. I appreciate Mr. Mattila's offer and have given it serious consideration. However, after a thorough evaluation of his proposal, we have concluded that having the County collect the City's current and delinquent property taxes would **not** be financially beneficial for us. In fact, it would cost us **more** money-about \$1.8 million more in collection fees versus our current arrangement using the Treasurer's Office and the Linebarger Law Firm. There is good news, however. Analyzing the County's proposal revealed that we can realize greater revenues by expanding our Legal Division and bringing delinquent property tax collections in-house. Therefore, we will not renew the delinquent tax collection contract with Linebarger when it expires in December.



Our overall goals in developing this budget were to be prudent, committed to our service priorities and to lessen the impact of the economic downturn on citizens as much as possible. I believe we have achieved these goals. While residents may have fewer hours to enjoy the recreation amenities and library services we provide, our core service priorities remain in tact. We will continue to adequately fund all public safety operations as well as meet our obligations to bring the Liberty Bowl in compliance with ADA regulations. We will pave roads and fight blight too.

We are committed to moving toward our vision of Memphis being globally recognized as the "City of Choice" in which to live, learn, work and recreate. We are not dismayed by the recession. We are motivated by it. We will innovate, redefine and reinvent while we maintain the quality of our core public services. And, finally, we are fiscally sound as we move toward a brighter future.

Sincerely,



Dr. Willie W. Herenton, Mayor

City of Memphis

INTRODUCTION

MAYOR'S LETTER

NOTE: The Mayor's transmittal letter was written at the time that the Proposed Budget was submitted to Council. This schedule shows the amendments made to the Proposed Budget.

FY 2010 Operating Budget	Proposed Budget	Amendments	Adopted Budget
General Fund Revenues			
Gross Revenues	\$ 577,300,012	\$ -	\$ 577,300,012
Revenue Adjustments			
Total Revenues	\$ 577,300,012	\$ -	\$ 577,300,012
General Fund Expenditures			
City Attorney	\$ 15,577,950	\$ (629,717)	\$ 14,948,233
City Council	\$ 1,785,517	\$ (137,954)	\$ 1,647,563
City Court Clerks	\$ 2,132,837	\$ (141,603)	\$ 1,991,234
City Judges	\$ 650,756	\$ (39,160)	\$ 611,596
Community Enhancement	\$ 7,552,344	\$ (602,801)	\$ 6,949,543
Engineering	\$ 7,928,430	\$ (177,892)	\$ 7,750,538
Executive	\$ 26,373,122	\$ (1,735,514)	\$ 24,637,608
Finance	\$ 5,627,447	\$ (537,938)	\$ 5,089,509
Fire	\$ 142,992,053	\$ (2,212,799)	\$ 140,779,254
General Services	\$ 9,904,575	\$ (983,627)	\$ 8,920,948
Grants & Agencies	\$ 59,752,709	\$ (64,901)	\$ 59,687,808
HCD	\$ 4,691,213	\$ -	\$ 4,691,213
Human Resources	\$ 8,803,891	\$ (475,497)	\$ 8,328,394
Parks	\$ 22,508,292	\$ (750,000)	\$ 21,758,292
Police	\$ 223,112,101	\$ (6,085,832)	\$ 217,026,269
Public Services	\$ 19,658,073	\$ (891,295)	\$ 18,766,778
Public Works	\$ 18,248,702	\$ (413,718)	\$ 17,834,984
Total Expenditures	\$ 577,300,012	\$ (15,880,248)	\$ 561,419,764
Contribution To Fund Balance		\$ 15,880,248	\$ 15,880,248

FY 2010 CIP Budget	Proposed Budget	Amendments	Adopted Budget
Total Revenues	208,477,800	(1,204,000)	207,273,800
Total Expenditures	208,477,800	(1,204,000)	207,273,800

