

operating budget

Sources of Revenue	FY 2007 Actual	FY 2008 Forecast	FY 2008 Budget	FY 2009 Adopted
Local Taxes	363,930,334	361,855,516	365,305,898	409,048,979
State Taxes	64,158,773	65,678,670	61,060,816	66,495,670
Licenses and Permits	11,437,992	11,250,873	11,155,462	11,250,873
Fines and Forfeitures	7,861,193	8,873,855	8,147,943	8,873,855
Charges for Services	1,084,599	912,997	810,850	912,877
Use of Money and Property	4,481,324	4,375,667	336,313	4,375,667
Federal Grants	796,205	168,336	0	0
Other Revenues	4,151,803	4,156,533	3,930,711	4,156,533
Transfers In	71,058,160	92,023,560	91,034,745	75,687,785
Gain (Loss) on Sale of Assets	0	0	0	0
Total Revenues\Transfers	528,960,383	549,296,007	541,782,738	580,802,239
Contribution (Use) of Fund Balance				
Total Revenue\Others Sources				

issues & trends

The Operating Budget Revenue for FY 2009 totals \$580,802,239. This represents a revenue growth of \$31.5M or 5.7% from the FY 2008 Forecast.

Our largest revenue source, local taxes are projected to increase \$47.2M or 13.0% from the FY 2008 Forecast. State taxes, our second largest revenue source are projected to increase \$817K or 1.2% from the FY 2008 Forecast. Licenses and Privileges, Fines and Forfeitures, Use of Money, and Other Revenues are projected to remain the same as FY 2008 Forecast.

Other sources of revenue that contribute to the operating budget are Charges for Services, Federal Grants and Transfers in. These revenue sources are projected to decreased slightly from FY 2008 Forecast.

GENERAL FUND

GENERAL FUND REVENUES

Sources of Revenue	FY 2007 Actual	FY 2008 Forecast	FY 2008 Budget	FY 2009 Adopted
Local Taxes				
Ad Valorem Tax - Current	199,456,184	202,100,000	199,400,000	248,750,463
Ad Valorem Tax Prior	7,359,317	7,206,591	6,854,854	7,200,000
PILOT's	5,007,575	3,970,118	4,953,058	3,970,118
Local Sales Tax	98,893,229	97,663,844	104,968,000	97,663,844
Beer Sales Tax	15,124,953	15,339,000	15,163,405	15,474,000
MLGW/Williams Pipeline	315,874	315,000	315,000	315,000
Bankruptcy Interest & Penalty	2,518	490	2,020	490
Alcoholic Beverage Inspection Fee	3,804,653	3,989,513	3,811,045	3,989,513
Warrants and Levies	0	1,766	0	1,766
Cable TV Franchise Fees	4,178,860	4,165,105	4,222,279	4,165,105
Misc Franchise Tax	429,613	436,969	282,901	436,969
Misc Tax Recoveries	2,534,131	1,863,899	1,530,150	1,863,899
Bank Excise Tax	2,350,613	792,987	792,987	792,987
Fiber Optic Franchise Fees	0	0	0	0
Gross Rec Business Tax	8,934,649	8,690,000	8,264,351	8,942,000
Interest, Penalties & Commission	169,107	222,337	168,525	222,337
Property Taxes Interest & Penalty	8,496,732	7,337,409	6,759,634	7,500,000
State Appointment TVA	4,384,736	5,113,121	5,196,479	5,113,121
Special Assessment Tax	85,742	93,570	101,000	93,570
Mixed Drink Tax	2,401,848	2,553,797	2,520,210	2,553,797
Total Local Taxes	363,930,334	361,855,516	365,305,898	409,048,979
State Taxes				
State Income Tax	13,003,840	13,000,000	9,002,000	13,000,000
State Sales Tax	48,864,057	50,400,000	49,800,000	51,217,000
State Shared Beer Tax	365,446	370,912	356,449	370,912
Spec Petroleum Product Tax	1,568,197	1,545,924	1,525,608	1,545,924
Telecommunication Sales Tax	112,702	114,778	145,199	114,778
Alcoholic Beverage Tax	244,531	247,056	231,560	247,056
Total State Taxes	64,158,773	65,678,670	61,060,816	66,495,670
Licenses and Permits				
Liquor By Ounce License	293,977	270,405	291,029	270,405
Taxi Drivers License	27,055	28,217	25,462	28,217
Beer Permit Privilege Tax	153,800	163,880	153,563	163,880
Wrecker Permit Fee	20,413	9,088	6,890	9,088
Gaminy Pub Amus Perm Fee	15,113	20,957	20,145	20,957
Beer Application	77,613	83,431	86,635	83,431
Misc Permits	73,762	81,783	67,738	81,783



GENERAL FUND

GENERAL FUND REVENUES

Sources of Revenue	FY 2007 Actual	FY 2008 Forecast	FY 2008 Budget	FY 2009 Adopted
Auto Registration Fee	10,776,259	10,593,112	10,504,000	10,593,112
Total Licenses and Permits	11,437,992	11,250,873	11,155,462	11,250,873
Fines and Forfeitures				
Court Fees	4,174,570	4,621,660	4,180,000	4,621,660
Court Costs	3,241,451	3,732,321	3,470,000	3,732,321
Fines & Forfeitures	154,411	160,585	138,618	160,585
Arrest Fees	236,298	279,741	288,376	279,741
Beer Board Fines	54,463	79,548	70,949	79,548
Total Fines and Forfeitures	7,861,193	8,873,855	8,147,943	8,873,855
Charges for Services				
Tax Sales Attorney Fees	763,783	595,477	489,850	595,477
Parking Meters	282	0	0	0
MLG&W Rent	5,534	2,400	6,000	2,400
Parking Lots	315,000	315,000	315,000	315,000
Traffic Signals	0	120	0	0
Total Charges for Services	1,084,599	912,997	810,850	912,877
Use of Money and Property				
Interest on Investments	4,370,732	4,299,988	231,190	4,299,988
Net Income/Investors	0	2,528	5,050	2,528
State Litigation Tax Commission	110,592	73,151	100,073	73,151
Total Use of Money and Property	4,481,324	4,375,667	336,313	4,375,667
Federal Grants				
Federal Grants - Others	796,205	168,336	0	0
Total Federal Grants	796,205	168,336	0	0
Other Revenues				
Commercial Revitalization Fee	60,000	50,000	50,000	50,000
Bad Check Penalties	3,002	4,968	100	4,968
Sale Of Capital Assets	148,115	31,922	5,101	31,922
Recovery Of Prior Year Expense	238,234	405,797	250,000	405,797
Fire - Misc Collections	190	0	0	0
Sewer Fund Cost Allocation	1,075,000	1,075,000	1,075,000	1,075,000
Cash Overage/Shortage	2,846	393	500	393
Treasurer - Misc Collections	200	200	0	200
City Property Damage Reim	235,431	271,221	301,332	271,221
Miscellaneous Revenue	0	62	0	62
Miscellaneous Income	56,918	36,911	25,148	36,911
Court Reimbursement	1,494	1,597	1,530	1,597



GENERAL FUND

GENERAL FUND REVENUES

Sources of Revenue	FY 2007 Actual	FY 2008 Forecast	FY 2008 Budget	FY 2009 Adopted
Miscellaneous Auctions	2,330,373	2,278,462	2,222,000	2,278,462
Total Other Revenues	4,151,803	4,156,533	3,930,711	4,156,533
Transfers In				
In Lieu Of Taxes-MLGW	49,758,572	52,035,775	50,500,000	53,700,000
Tfr In - State Street Aid	16,163,056	16,811,000	17,357,960	16,811,000
In Lieu Of Taxes-Sewer	3,836,532	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 - Tax Sales Fund	0	1,888	1,888	1,888
Tfr In - Debt Service Fund	0	18,000,000	18,000,000	0
Total Transfers In	71,058,160	92,023,560	91,034,745	75,687,785
Gain (Loss) on Sale of Assets				
Sale Of Land	0	0	0	0
Total Gain (Loss) on Sale of Assets	0	0	0	0
Total Revenues\Transfers	528,960,383	549,296,007	541,782,738	580,802,239



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.

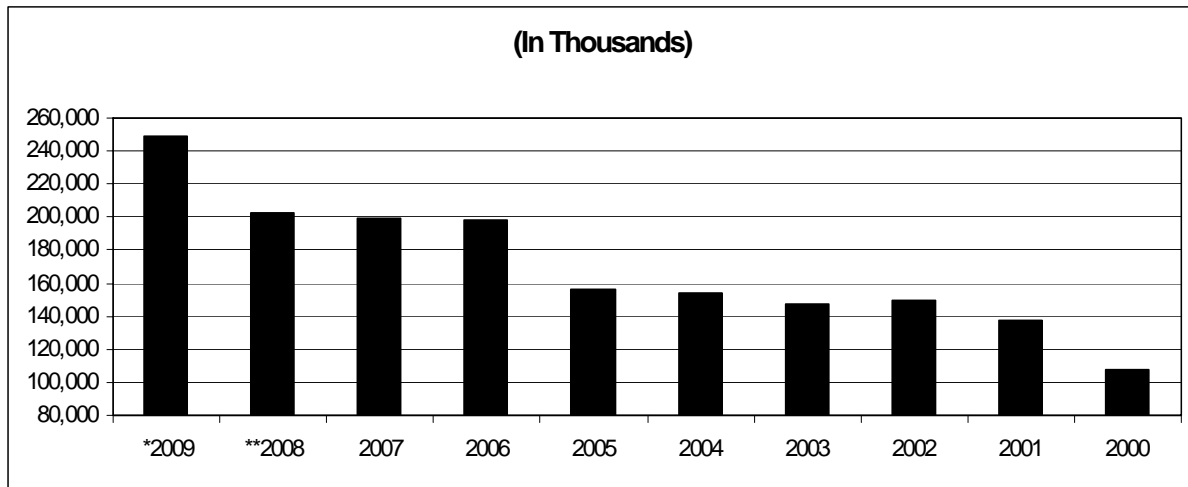
The simulation results are the basis for more detailed risk analysis of total revenue, the property tax, and the sales tax. These risk reports give the quartiles and median, plus all the deciles. For example, the first decile in the forecast distribution for total revenue is the level of revenue such 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.

GENERAL FUND

GENERAL FUND REVENUES

Current Property Tax

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2009	248,750	23.08%	2004	154,221	4.47%
2008	202,100	1.27%	2003	147,626	-1.17%
2007	199,564	0.92%	2002	149,375	9.04%
2006	197,740	26.26%	2001	136,985	27.27%
2005	156,617	1.55%	2000	107,631	3.45%



* FY 2009 Proposed

** FY 2008 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 3.43 to 3.25, effective FY 2009.

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

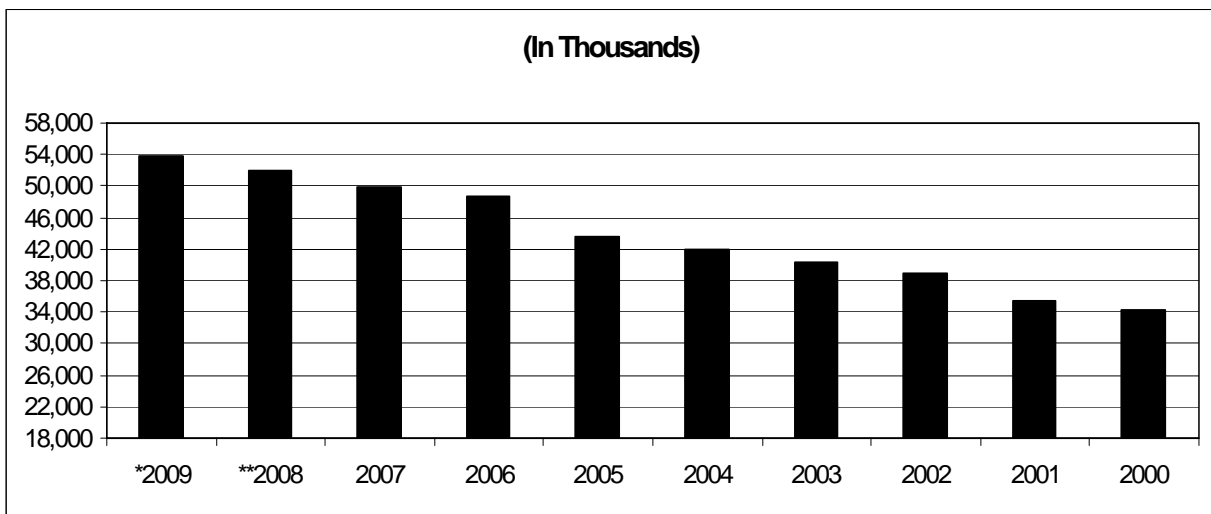


GENERAL FUND

GENERAL FUND REVENUES

In lieu of Tax - MLGW

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2009	53,700	3.20%	2004	41,987	3.93%
2008	52,036	4.58%	2003	40,399	3.56%
2007	49,759	2.36%	2002	39,010	10.02%
2006	48,610	11.49%	2001	35,458	3.16%
2005	43,599	3.84%	2000	34,371	-2.24%



* FY 2009 Proposed

** FY 2008 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

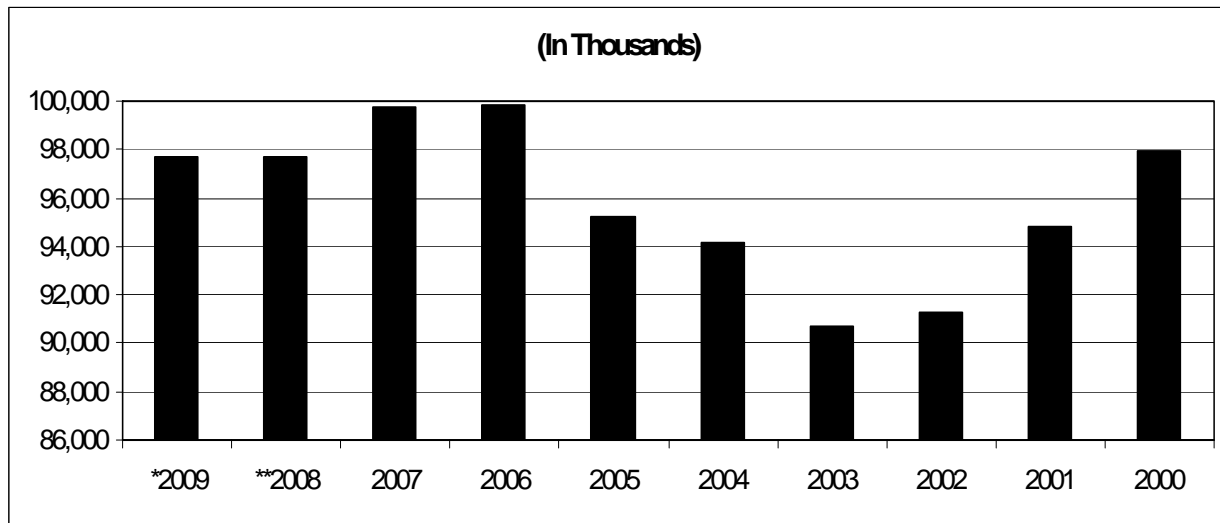


GENERAL FUND

GENERAL FUND REVENUES

Local Sales Tax

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2009	97,664	0.00%	2004	94,123	3.81%
2008	97,664	-2.07%	2003	90,672	-0.62%
2007	99,733	-0.14%	2002	91,238	-3.77%
2006	99,875	4.84%	2001	94,811	-3.23%
2005	95,260	1.21%	2000	97,977	7.35%



* FY 2009 Proposed

** FY 2008 Forecast

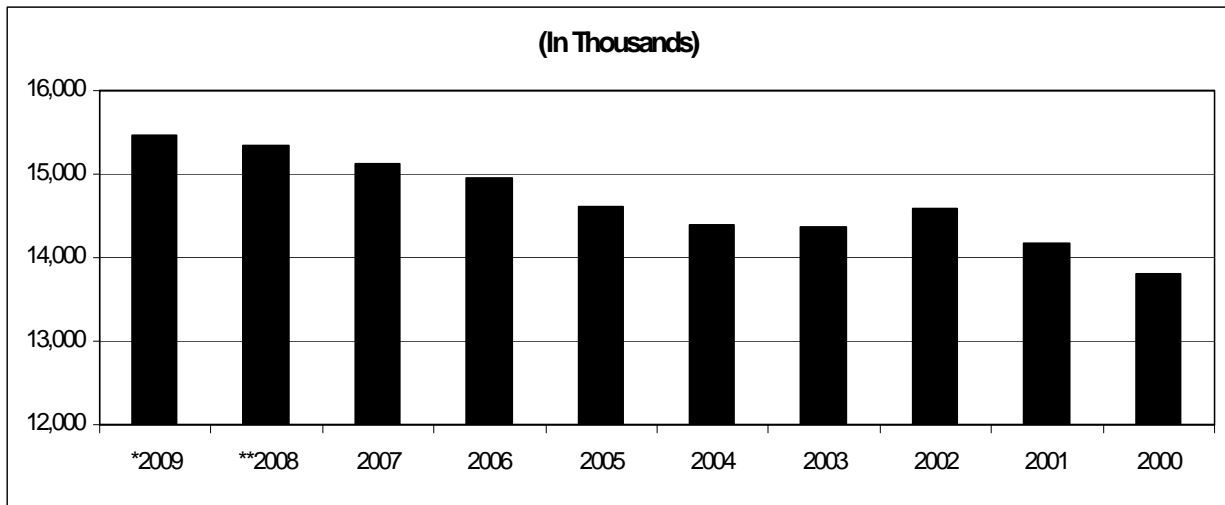
This is the second largest revenue source for the City. It is charged on the gross proceeds derived from the retail sales or use of tangible personal property and certain specific services. It is computed at 2.25% of the amount of each transaction. One half of the proceeds go to education. The last increase 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
2009	15,474	0.88%	2004	14,382	0.10%
2008	15,339	1.41%	2003	14,367	-1.49%
2007	15,125	1.14%	2002	14,585	2.93%
2006	14,954	2.28%	2001	14,170	2.72%
2005	14,620	1.65%	2000	13,795	2.47%



* FY 2009 Proposed

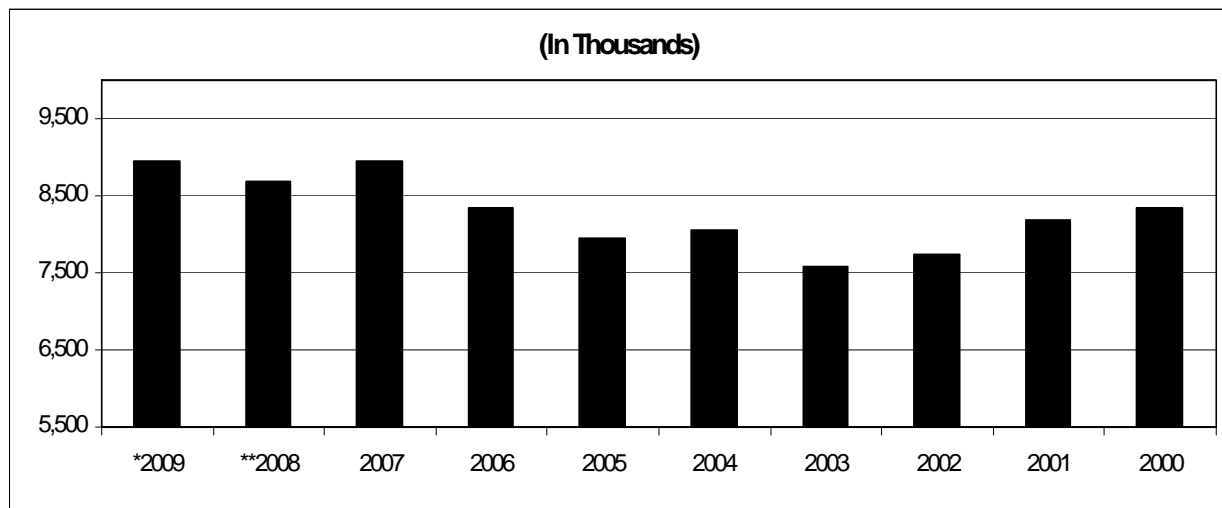
** FY 2008 Forecast

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
2009	8,942	2.90%	2004	8,063	6.34%
2008	8,690	-2.74%	2003	7,582	-2.02%
2007	8,935	6.98%	2002	7,738	-5.40%
2006	8,352	5.15%	2001	8,180	-2.04%
2005	7,943	-1.49%	2000	8,350	9.88%



* FY 2009 Proposed

** FY 2008 Forecast

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

\$15 minimum annual license fee

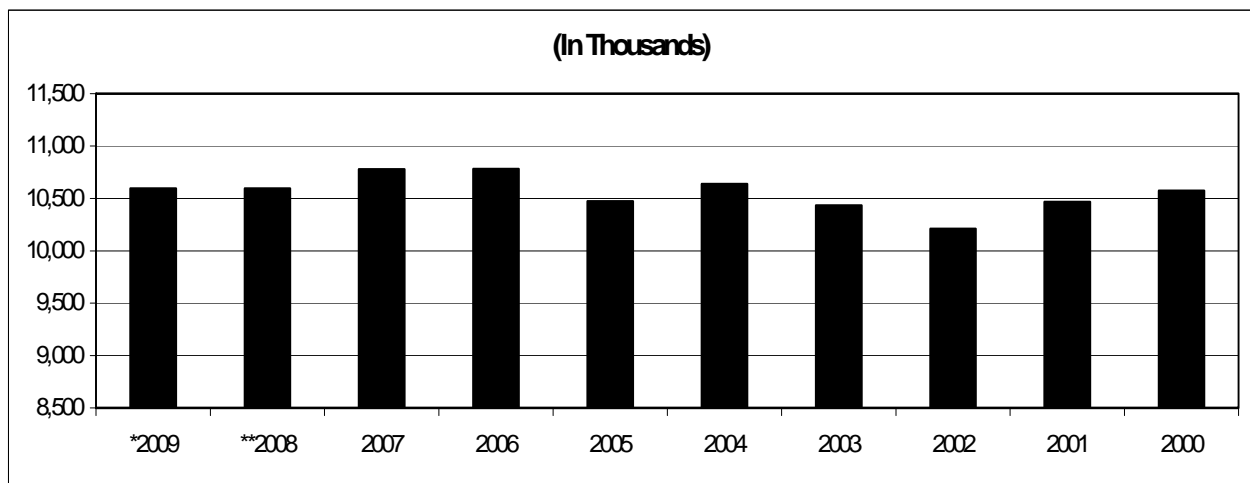
Tax on gross receipts(wholesale and retail) of the covered business activities.

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
2009	10,593	0.00%	2004	10,637	1.97%
2008	10,593	-1.70%	2003	10,431	2.18%
2007	10,776	-0.05%	2002	10,208	-2.46%
2006	10,781	2.95%	2001	10,465	-1.02%
2005	10,472	-1.55%	2000	10,573	3.14%



* FY 2009 Proposed

** FY 2008 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

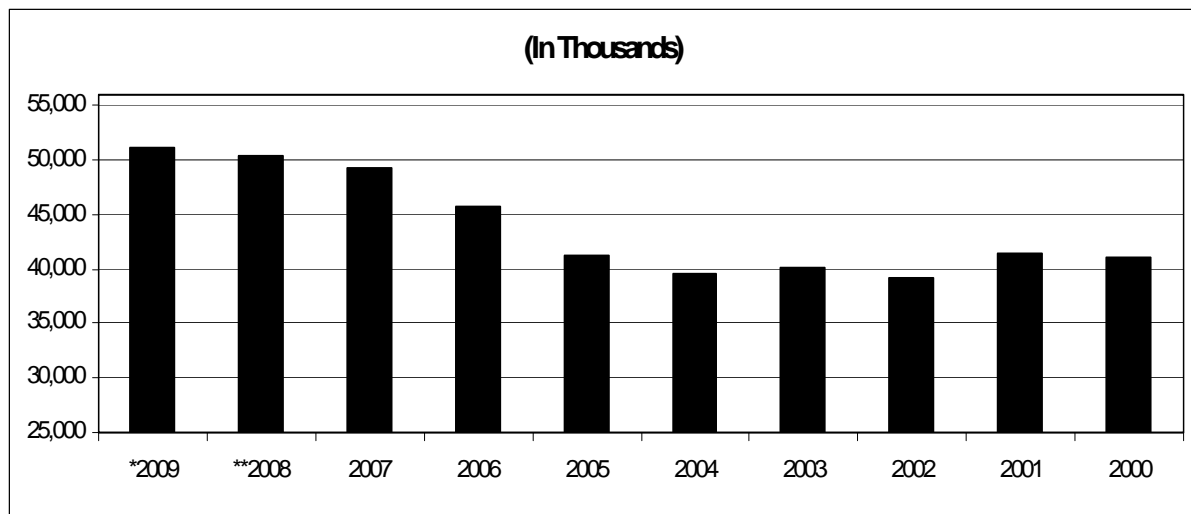


GENERAL FUND

GENERAL FUND REVENUES

State Sales Tax

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2009	51,217	1.62%	2004	39,638	-1.44%
2008	50,400	2.35%	2003	40,216	2.74%
2007	49,244	7.49%	2002	39,145	-5.72%
2006	45,814	11.18%	2001	41,518	1.05%
2005	41,206	3.96%	2000	41,085	4.75%



* FY 2009 Proposed

** FY 2008 Forecast

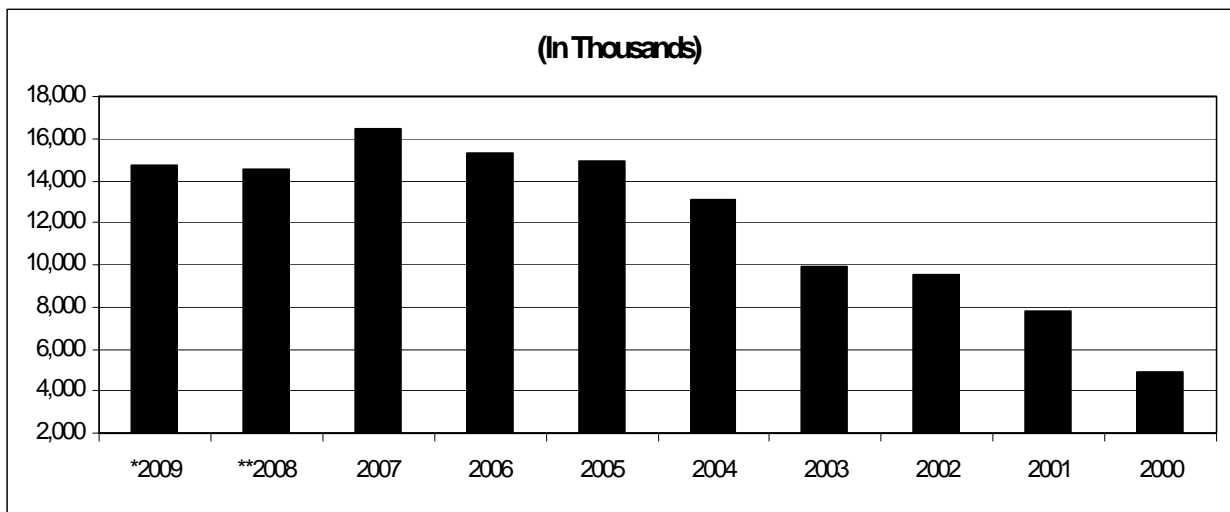
This is the largest state shared revenue the City receives. The current rate is 7.0% and is charged on each transaction described in the Local Sales Tax, 1.0% goes to the State's General Fund. Of the 6.0%, 0.5% goes to education. Municipalities receive approximately 4.5925% of collections on 5.5% of 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
2009	14,700	1.07%	2004	13,069	32.18%
2008	14,544	-11.57%	2003	9,887	3.89%
2007	16,447	7.42%	2002	9,517	22.09%
2006	15,311	2.89%	2001	7,795	60.39%
2005	14,881	13.86%	2000	4,860	38.63%



* FY 2009 Proposed

** FY 2008 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.

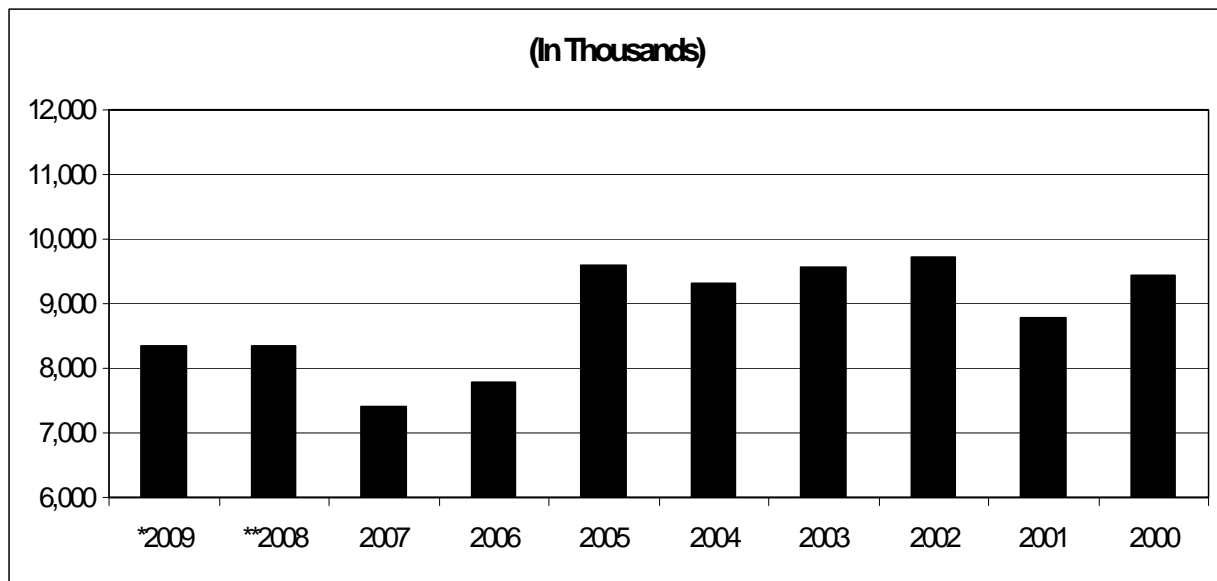
Major Influences: Economy and Assessor Appraisal

GENERAL FUND

GENERAL FUND REVENUES

Court Costs/Fines

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2009	8,354	0.00%	2004	9,315	-2.65%
2008	8,354	12.65%	2003	9,569	-1.40%
2007	7,416	-4.76%	2002	9,705	10.55%
2006	7,787	-18.74%	2001	8,779	-6.84%
2005	9,583	2.88%	2000	9,424	8.51%



* FY 2009 Proposed

** FY 2008 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

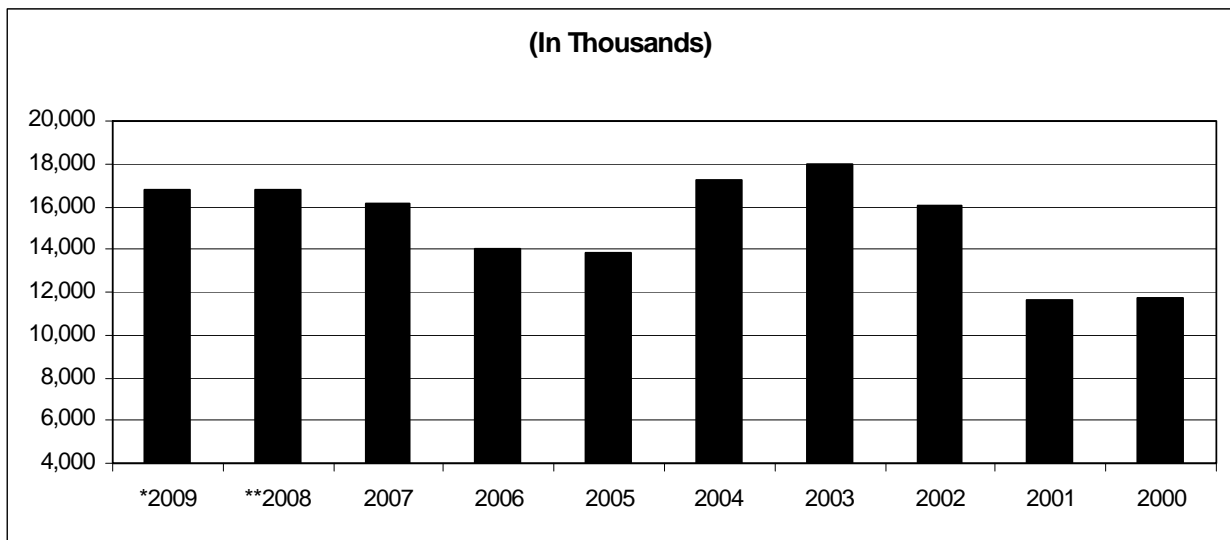


GENERAL FUND

GENERAL REVENUES

Municipal State Aid

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2009	16,811	0.00%	2004	17,267	-3.89%
2008	16,811	4.01%	2003	17,966	11.79%
2007	16,163	15.29%	2002	16,071	38.61%
2006	14,019	1.28%	2001	11,594	-1.48%
2005	13,842	-19.84%	2000	11,768	110.97%



* FY 2009 Proposed

** FY 2008 Forecast

Approximately 12.7% of the .20 cents per gallon collected from gasoline pursuant to T.C.A. 67-3-901 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. 54-4-201 - 204, T.C.A. 67-3-201 - 302.

Major Influences: Population and Gasoline Sales



