

■ operating budget

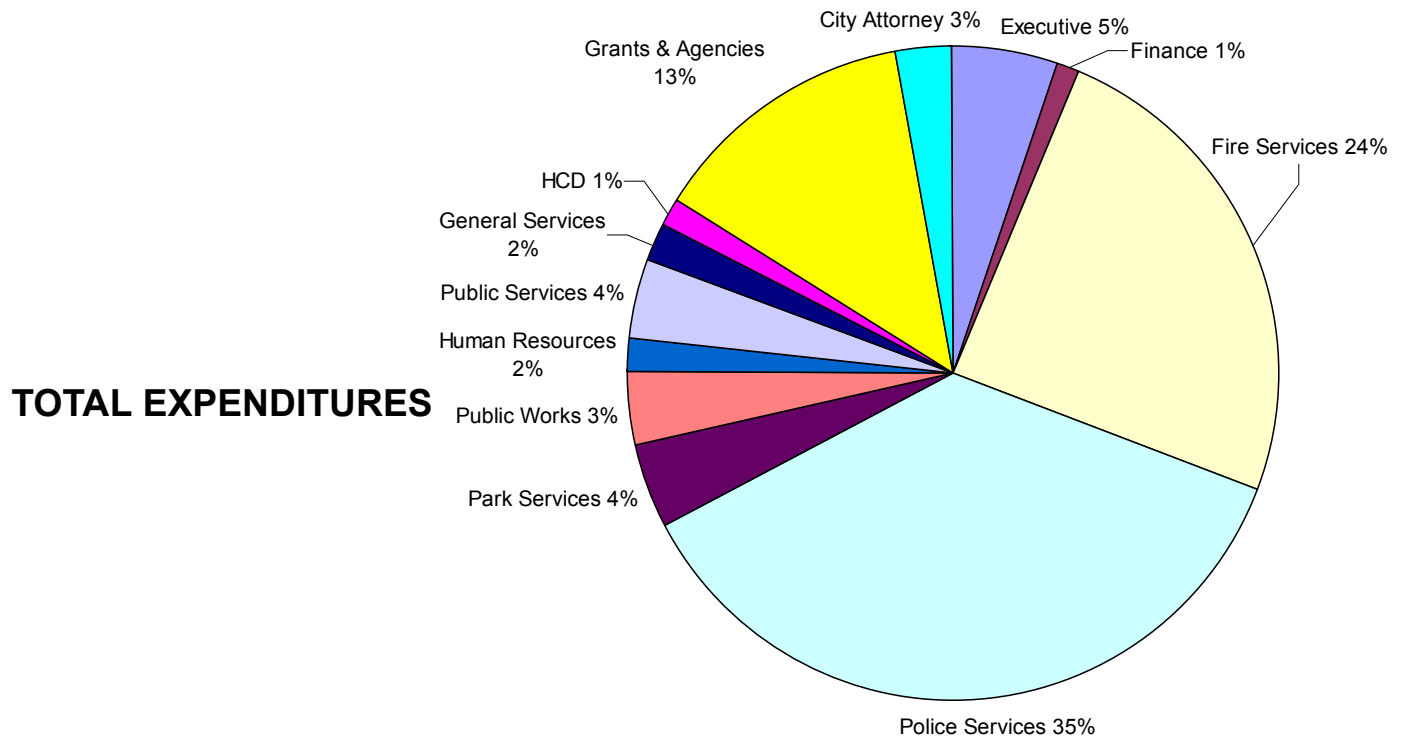
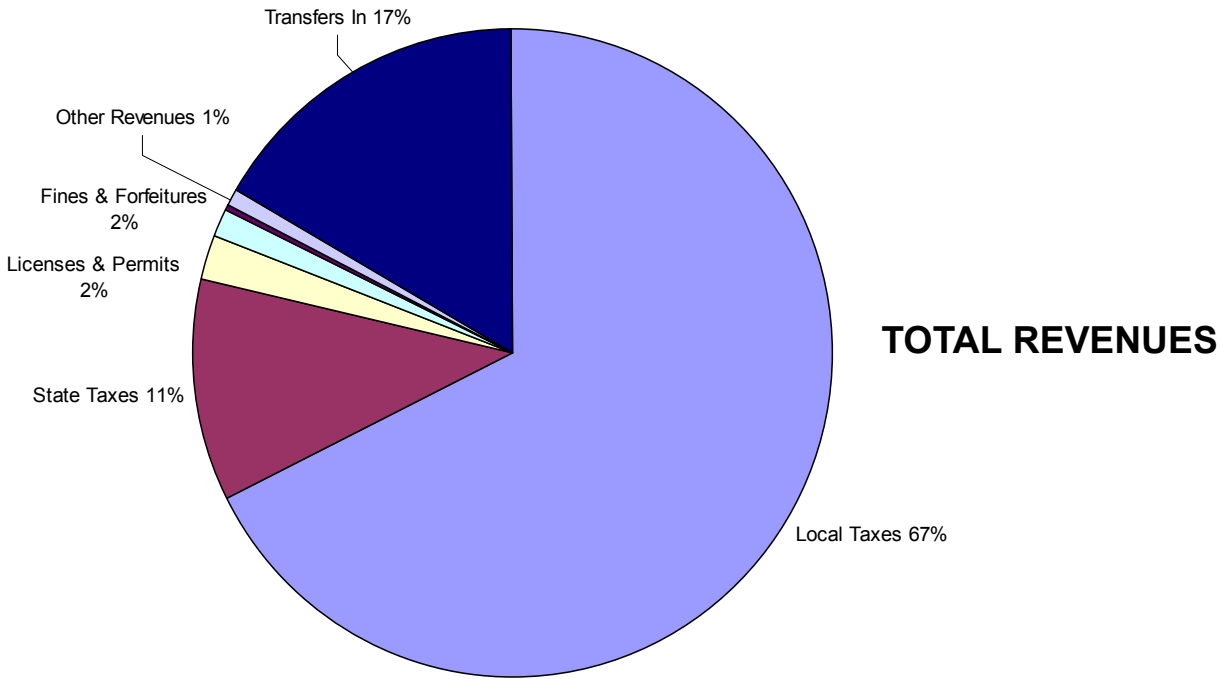
Operating Budget

Category	FY 2006 Actual	FY 2007 Forecast	FY 2007 Budget	FY 2008 Adopted
Personal services	355,301,591	363,839,326	366,519,953	394,549,208
Materials & supplies	83,773,412	94,033,541	92,714,328	101,919,285
Capital outlay	233,846	1,050,983	1,144,993	2,840,655
Grants & subsidies	62,461,165	68,394,475	62,177,059	77,308,735
Inventory	0	0	0	91,675
Claims incurred	0	0	0	0
Transfers out	10,475,769	7,163,136	4,711,453	989,240
Total Expenditures	512,245,783	534,481,461	527,267,786	577,698,798
Charges for Services	(32,763,674)	(33,482,688)	(30,293,340)	(37,614,496)
Net Expenditures	479,482,109	500,998,773	496,974,446	540,084,302
<i>Funded Staffing Level</i>	5,162.02	5,631.08	5,795.76	6,225.00

■ operating budget

Description	FY 2006 Actual	FY 2007 Forecast	FY 2007 Budget	FY 2008 Adopted
<u>Revenues</u>				
Local Taxes	360,522,688	357,118,265	353,497,295	365,305,898
State Taxes	57,352,533	58,558,620	52,886,554	61,060,816
Licenses and Permits	11,426,572	11,045,013	11,388,777	11,155,462
Fines and Forfeitures	8,116,960	8,066,014	7,946,696	8,147,943
Charges for Services	1,107,675	806,000	947,919	810,850
Use of Money and Property	1,412,648	332,983	282,980	336,313
Federal Grants	30,971	677,811	0	0
Other Revenues	4,942,536	3,977,875	3,593,932	3,930,711
Transfers In	67,765,700	76,974,401	75,106,925	91,034,745
Total Revenues\Transfers	512,678,283	517,556,982	505,651,078	541,782,738
<u>Expenditures</u>				
Executive	15,787,463	17,171,887	17,394,194	28,404,866
Finance	4,121,993	4,466,277	4,511,556	4,981,581
Fire Services	116,791,791	120,285,428	119,542,185	128,811,472
Police Services	183,871,814	185,604,058	187,152,544	191,059,655
Park Services	18,990,018	20,318,525	19,698,502	23,387,383
Public Works	16,088,573	16,412,318	17,203,294	18,784,310
Human Resources	2,711,467	6,400,825	6,275,846	8,809,431
Public Services	21,387,435	21,969,530	22,090,810	20,163,078
General Services	10,126,026	9,433,544	9,328,297	10,685,713
HCD	4,617,762	6,484,724	6,206,192	6,770,626
Grants & Agencies	63,894,946	63,138,018	58,387,782	69,916,891
City Attorney	9,034,331	16,407,634	16,236,216	14,804,638
City Engineering	7,279,356	7,560,889	7,544,338	7,836,078
City Council	1,367,667	1,612,976	1,660,556	1,781,553
City Court Judges	525,280	587,477	586,878	693,560
City Court Clerk	2,886,187	3,144,663	3,155,256	3,193,467
Net Expenditures	479,482,109	500,998,773	496,974,446	540,084,302
Contribution (Use) of Fund Balance	33,196,174	16,558,209	8,676,632	1,698,436

FY 2008 Operating Budget



Budget Overview

The FY 2008 Budget Proposal is presented in the context of continued expected growth in the US economy. The budget proposal is built on the assumption that the Memphis MSA will have slow to moderate growth during the fiscal year. In the FY 2008 Budget Proposal, this growth translates to steady and reliable revenue growth over the FY 2007 budget.

The FY 2008 Revenue Plan projects a 7.1% overall increase in revenue over the FY 2007 Budget. Shared revenues from the State of Tennessee that were reduced by \$7 million in FY 2004 have been restored over the last three years and now include 15% year to year growth over the FY 2007 budget. The increase in transfers over the FY 2007 budget amounts to \$25.1 million with 72% representing transfers from the Debt Service Fund and 25.5% representing Municipal State Aid also classified as transfers. Excluding revenue growth from transfers, the projected revenue growth is 2.2% over the FY 2007 budget.

The FY 2008 Budget Proposal expenditure plan shows an overall increase of 7.7% and significant growth in support of Public Safety, Human Services and Neighborhood initiatives. The expenditure plan also includes the full year impact of the cost to provide services to the Berryhill and Southwind annexation areas. These annexations became effective the second half of FY 2007. Additionally, the City's FY 2008 budget proposal allocates a \$1.7 million surplus to building undesigned fund balance reserves.

Significant changes between the FY 2008 and the FY2007 budgets include a reallocation of funding from the Fire Service and Police Service Divisions to the Human Resources Division to administer promotional testing funding of \$3.5 million. The General Services Division includes a reallocation from Public Services (Library Services) for certain maintenance activities funded at \$0.4 million, and the Information Services Division received a reallocation of certain communications costs funded at \$0.4 million from Library Services.

Several structural changes are reflected in the budget while others are provided as supplements to the budget. The financial impact on the budget resulting from structural changes is as follows:

- \$1 million operating deficit to permanently absorb the Golf Enterprise Fund into the General Fund Park Services Division.
- Incremental cost of \$0.4 million to merge the Permits Office with a newly created Grants and Compliance Office that includes certain grants and compliance activities currently in the City Attorney Division.
- Other structural changes presented within the budget proposal with significant financial impacts (\$5.0 million of new funding) include certain Community Services, Neighborhood activities and Youth Services initiatives reallocated from the Public Service Division to the Executive Division.
- Structural changes planned and presented as a supplement to the budget proposal also have little to no financial impact on the budget. These changes include EMA from Public Service to Executive, certain Police Services and Fire Services communications and data management activities to Information Services within the Executive Division. Within the Finance Division, the Budget Office will be merged into the Comptroller's Office.

The Division budgets include a 2% growth factor on the FY 2007 materials and supply budgets to absorb inflationary and contractually driven price escalation, certain increases associated with the adoption of the living wage ordinances for temporary/part-time employees and certain service contracts, and the cost of funding strategic priorities and initiatives.

Several Division budgets are impacted by a Finance Division policy change to fund small capital acquisitions under \$50,000 with useful lives less than 10 years with operating revenue sources rather than more expensive debt in the CIP budget. In addition, \$3 million is provided to establish a trust to pre-fund other post-employment benefits to meet the requirements of GASB 45 and \$3 million is provided for a **one-time bonus** to City employees employed at June 30 2006.

Division requests for increased expenditures were evaluated and funded according to available resources. An overview of the strategic priorities and initiatives receiving funding follows:

- Increased Police Services initiatives \$4.8 million to further expand the Police presence in our neighborhoods and to strategically deploy technology as part of the fight against crime.
- \$2.5 million in the Executive Division to fund a citizen's utility assistance program.
- A \$2.5 million investment in a summer youth program to ensure that the needs and aspirations of Memphis youth are served.
- An increase of \$1.9 million in resources for promotional testing for public safety officers in the Police and Fire Divisions to be administered by the Human Resources Division.
- In the Fire Services Division, EMS strategic priorities are fully funded at \$1.8 million to meet the needs of Memphis citizens and the general public.
- Neighborhoods through the General Services and Housing Community Development Divisions have \$1.2 million in funding provided to address blight and revitalization initiatives.
- Public transportation services (MATA) and Health Services funding increased 17% and 13%, respectively.
- Park Services initiatives are funded at \$0.5 million to address parks cleanliness and maintenance, and to maintain historic properties.



The Memphis Economy in 2007

After several years of flat to negative growth, the economy of the Memphis Metropolitan Statistical Area (MSA) finally appears to be headed in a positive direction. In 2006, announcements were made about the relocation to the Memphis MSA of the corporate headquarters of both International Paper and ServiceMaster. Other than acquiring the Memphis Grizzlies, there have been few announcements over the past decade as exciting as this for the area's economy. While the exact number of jobs coming to the Memphis area is not known, at a minimum these corporate announcements (and subsequent follow through) bring with them a much needed psychological and financial boost to the local area.

Other good news for the local economy comes from the bio-tech sector. Memphis-based operations of Medtronic Sofamor Danek's spinal unit are growing and have been profitable over the past year. Further, St. Jude's Children's Research Hospital continues to expand, and with it so does the hospital's world-class reputation.

The University of Tennessee College of Pharmacy (UTCOP) is also a bright spot in the local bio-tech sector. UTCOP has a significant Pharmaceutical Sciences program and is an important component of the future Memphis Bioworks Foundation-supported University of Tennessee-Baptist Research Park. In fact, a planned \$42.8 million College of Pharmacy building will be the first building to be completed within the research park.

A major feature of the new College of Pharmacy building will be a U.S. Food and Drug Administration-compliant Good Manufacturing Practices¹ (GMP) facility that will allow pharmaceutical companies, research companies, and others to manufacture new drugs for use in Phase I and Phase II clinical trials. GMP facilities are few in number and having one in Memphis will draw additional research dollars and pharmaceutical companies to the area, as it will serve as a training facility for pharmaceutical researchers to design and manufacture new drugs.

At present, scientists within the Department of Pharmaceutical Sciences are heavily involved in both the development of new molecules and the testing of new medicines. To their credit, UTCOP pharmaceutical researchers have developed a number of patented medicines, some individually and others in conjunction with local pharmaceutical firms such as Memphis-based GTX, Incorporated. The development of patented medicines has the potential to bring UTCOP significant royalty revenues in the future, which could bring even more jobs to the Memphis economy.

Memphis-based FedEx is also enjoying a growth period, particularly with international trade. While outsourcing has resulted in the loss of jobs in the U.S., especially in manufacturing, there are opportunities that co-exist with these job losses. Trade with China has been a boon not only to FedEx, but also to railroads and distribution centers. As international trade grows, Memphis stands to benefit in terms of growth in transportation and logistics via air (FedEx) and rail.

As part of the rail growth, Canadian National Railroad is undergoing a major expansion of its rail yards and intermodal facilities in Memphis, both at the Frank Pidgeon Industrial Park and at the Johnson Yard. Canadian National offers Asian shippers the advantage of bypassing the notoriously-congested Los Angeles/Long Beach ports and eliminating two to three days on the sea voyage from Asian ports to North America via its Prince Rupert port in British Columbia. From there, containers will be loaded on trains destined for Memphis for distribution to the Southern and Eastern parts of the U.S.

While the housing sector has fallen sharply across the U.S., there has been no housing bubble to bust in Memphis. As shown in Table 1, 2006 Memphis residential sales were up 4.5 percent over those in 2005,

1. For more information on Good Manufacturing Practices regulations, see: <http://www.fda.gov/cder/dmpq/>.



enough to set a sales record for the second straight year. However, the local housing market is adjusting to a slowing national market, with permit growth going negative and average sales price growth slowing.

Table 1. Memphis Multiple Listing Service Housing Sales, 2005-2006

Category	2005	2006	Percent Change
Units	18,881	19,738	4.5 %
Dollar Volume	\$3.18 billion	\$3.42 billion	7.5 %

Source: Memphis Area Association of REALTORS®.

In terms of employment, in 2006 the Memphis MSA experienced its first year of real growth since peaking in 1999. While the 1990s was a period of growth for the Memphis area, the first part of this decade was marked by an employment recession, with employment among Memphis MSA residents falling from 2000 to 2005, finally reaching recovery in 2006 (see Chart 1). December Tennessee unemployment was relatively low, even in the City of Memphis: Tennessee, 4.4 percent and Memphis, 5.1 percent.

While most economic factors in the Memphis MSA look positive for the near future, there are some long-term negative factors that could limit the MSA's economic growth. Population growth is one of those factors. As shown in Chart 2, the decade of the 1990s was a period of population growth for Tennessee and all of its major MSAs. However, that growth slowed substantially between 2000 and 2005. The Memphis MSA had the slowest growth in both time periods of all the major Tennessee MSAs. Further, Shelby County's population growth came to a virtual stop between 2000 and 2005. While the Memphis MSA's population is growing, most of the growth is occurring outside Shelby County, and, in particular, in DeSoto County, Mississippi (57.9 percent from 1990 to 2000 and 27.8 percent from 2000 to 2005)

Population growth is strongly related to employment growth. As shown in Chart 3, the 1990s was a period of strong employment growth for Tennessee and its major MSAs, including Memphis at 17.4 percent. Yet, Tennessee's employment growth dropped off sharply during the first five years of this decade, from 24.4 percent in the 1990s to 3.6 percent during 2000 to 2005. Similarly, Memphis' employment growth dropped to 0.1 percent, which is five times less than the state's employment growth for the same time period. Noticeably, the only major MSAs in Tennessee with substantial employment growth are Knoxville and Nashville.

DeSoto County and Memphis/Shelby County Comparisons

The rapid expansion of the population and housing stock in DeSoto County, particularly since 2000, is one of the most dramatic changes that has occurred in the history of the Memphis metropolitan area. The reality of the population base movement out of Memphis into suburban communities, and particularly into parts of DeSoto County, has generated a great amount of speculation about the causes of the movement. Some analysts point out problems with the quality of life in Memphis and how the changing distribution of the population has resulted from the search for a safe community with strong public schools and access to urban amenities like shopping, healthcare, sports, and employment opportunities. DeSoto County became one area that could offer new and existing residents access to modest cost housing in new subdivisions with the appropriate mix of suburban and urban amenities.

Other residents of Shelby County were responding to changing market opportunities. The strong employment growth in Memphis in the 1990s generated a new middle class. New job opportunities and stronger income growth created a new economic driver for the community. The rapid increase in wealth associated with the stock market was particularly powerful for new investors and the new middle class in

Memphis. As the economy transitioned out of the 1990s and into the post-2000 period, people in Memphis responded to the demise of the rapid, sure-fire growth of the stock market by shifting to the new market opportunity—real estate. In response to the dramatic reduction in interest rates, the expanding inventory of suburban housing opportunities, the pent-up wealth with no where to go, and a nationwide explosion of housing investments, it is little wonder that Shelby County residents moved to the suburbs and to DeSoto County.

Hidden behind the movement was the widespread belief that taxes were too high in Shelby County and were particularly onerous in Memphis. Many residents of DeSoto County indicated that one of the reasons they moved to their new home was to avoid the high and continuously-increasing tax burdens in Memphis and Shelby County. Tables 2 and 3 contain tax information that examines the accuracy of the statement that taxes are lower for a homeowner in DeSoto County than for a homeowner in Shelby County. In fact, the tax data (see Table 2) for unincorporated areas of Shelby County and DeSoto County clearly show that Shelby County taxes are less than the taxes in DeSoto County (\$1,779.00 in Shelby County versus \$2,644.39 in DeSoto County).

Table 2. Tax Burden Comparison, Unincorporated DeSoto County Versus Unincorporated Shelby County

Tax Category	Unincorporated DeSoto County	Unincorporated Shelby County
Real Property Tax		
Home Cost	\$150,000.00	\$150,000.00
Assessment Rate	10.00%	25.00%
Assessment Value for Tax	\$ 15,000.00	\$ 37,500.00
Tax Rate (per \$100 of Assessed Value)	\$ 2.24	\$ 4.09
Annual Realty Property Tax	\$ 336.00	\$ 1,533.75
Personal Property Tax		
2003 Saturn L200	\$ 170.31	—
2000 Chrysler Town and Country Van	\$ 124.08	—
Annual Personal Property Tax	\$ 294.39	—
State Income Tax		
Gross Income (Household of 4)	\$ 80,000.00	\$ 80,000.00
Estimated Pre-Tax Savings	(\$ 4,800.00)	—
State Standard Exemption	(\$ 15,000.00)	—
Estimated State Income Tax	(\$ 16,600.00)	—
Estimated Taxable Income	\$ 43,600.00	—
Estimated State Income Tax	\$ 2,030.00	\$ 0.00



Federal Income Tax		
Deduction on Schedule A for State Taxes Paid*	(\$ 1,416.00)	(\$ 1,776.75)
Sales Tax		
Sales Tax Rate	7.00%	9.25%
Estimated Taxable Purchase	\$ 20,000.00	\$ 20,000.00
Estimated Sales Tax	\$ 1,400.00	\$ 1,850.00
Miscellaneous Tax		
Fire Fee	—	—
Wheel Tax (for Two Vehicles, TN only)	—	\$ 24.00
City Fee (for Two Vehicles, TN only)	—	\$ 100.00
Vehicle Registration (for Two Vehicles, TN only)	—	\$ 48.00
Total Estimated Tax Burden	\$ 2,644.39	\$ 1,779.00

*The deductions shown are sales tax deductions as calculated using the IRS General Sales Tax Tables for 2005. A taxpayer may deduct for either state income taxes or state and local sales taxes, but not both. Tennessee does not have a broad-based earned income tax, while Mississippi does. The income tax deduction for Mississippi would have been \$304.50, which is lower than the sales tax deduction. Therefore, the sales tax deduction is used for both Tennessee and Mississippi.

Source: SBBER.

The data in Table 3 show similar results. Taxes in Memphis and all of the communities in Shelby County were lower than those in Olive Branch and Southaven. The taxes in Memphis, Olive Branch, and Southaven were comparable (\$3,007.50 in Memphis, \$3,017.89 in Olive Branch, and \$3,059.89 Southaven). The other communities in Shelby County had decidedly lower taxes and commonly experienced tax savings of between \$600.00 and \$900.00. DeSoto County may be particularly hard hit by the increasing cost of providing public services. The increasing cost of living in DeSoto County will serve to partially offset some of the quality of life advantages that are associated with the new suburban lifestyle.



Table 3. Tax Burden Comparison for Municipalities, DeSoto County Versus Shelby County

Municipality	DeSoto County		Shelby County					
	Olive Branch	Southaven	Memphis	Germantown	Collierville	Bartlett	Millington	Arlington
Property Tax								
Assessed Value	\$150,000.00	\$150,000.00	\$150,000.00	\$150,000.00	\$150,000.00	\$150,000.00	\$150,000.00	\$150,000.00
Assessment Rate	10.00%	10.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Assessed Value for Tax	\$ 15,000.00	\$ 15,000.00	\$ 37,500.00	\$ 37,500.00	\$ 37,500.00	\$ 37,500.00	\$ 37,500.00	\$ 37,500.00
Rate (per \$100 of Assessed Value)*	\$ 4.73	\$ 5.01	\$ 7.27	\$ 5.79	\$ 5.54	\$ 5.47	\$ 5.32	\$ 5.09
Realty Property Tax	\$ 709.50	\$ 751.50	\$ 2,726.25	\$ 2,171.25	\$ 2,077.50	\$ 2,051.25	\$ 1,995.00	\$ 1,908.75
Property Tax								
Return L200	\$ 170.31	\$ 170.31	—	—	—	—	—	—
Transfer Town and Country Van	\$ 124.08	\$ 124.08	—	—	—	—	—	—
Personal Property Tax	\$ 294.39	\$ 294.39	—	—	—	—	—	—
Income Tax								
Income (Household of 4)	\$ 80,000.00	\$ 80,000.00	\$ 80,000.00	\$ 80,000.00	\$ 80,000.00	\$ 80,000.00	\$ 80,000.00	\$ 80,000.00
Deductible Pre-Tax Savings	(\$ 4,800.00)	(\$ 4,800.00)	—	—	—	—	—	—
Standard Exemption	(\$ 15,000.00)	(\$ 15,000.00)	—	—	—	—	—	—
Deductible State Income Tax	(\$ 16,600.00)	(\$ 16,600.00)	—	—	—	—	—	—
Deductible Taxable Income	\$ 43,600.00	\$ 43,600.00	—	—	—	—	—	—
Deductible State Income Tax	\$ 2,030.00	\$ 2,030.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Income Tax								
Refund on Schedule A for State Taxes Paid**	(\$ 1,416.00)	(\$ 1,416.00)	(\$ 1,776.75)	(\$ 1,776.75)	(\$ 1,776.75)	(\$ 1,776.75)	(\$ 1,776.75)	(\$ 1,776.75)
Sales Tax								
Sales Tax Rate	7.00%	7.00%	9.25%	9.25%	9.25%	9.25%	9.25%	9.25%
Deductible Taxable Purchase	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00
Deductible Sales Tax	\$ 1,400.00	\$ 1,400.00	\$ 1,850.00	\$ 1,850.00	\$ 1,850.00	\$ 1,850.00	\$ 1,850.00	\$ 1,850.00
Other Taxes								
Gas Tax	—	—	—	—	—	—	—	—
Excise Tax (for Two Vehicles, TN only)	—	—	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00
Registration (for Two Vehicles, TN only)	—	—	\$ 60.00	\$ 60.00	\$ 60.00	\$ 60.00	\$ 60.00	\$ 60.00
Registration (for Two Vehicles, TN only)	—	—	\$ 48.00	\$ 48.00	\$ 48.00	\$ 48.00	\$ 48.00	\$ 48.00
Total Tax Burden	\$ 3,017.89	\$ 3,059.89	\$ 3,007.50	\$ 2,442.50	\$ 2,338.75	\$ 2,322.50	\$ 2,266.25	\$ 2,130.00

*Includes both county and municipal property taxes.
 **Calculations shown are sales tax deductions as calculated using the IRS General Sales Tax Tables for 2005. A taxpayer may deduct for either state income taxes or state and local sales taxes, but not both. Tennessee does not have a state-based earned income tax, while Mississippi does. The income tax deduction for Mississippi would have been \$304.50, which is lower than the sales tax deduction. Therefore, the sales tax deduction is used for both Tennessee and Mississippi.
 SBBER.

The evidence is clear—taxes are not lower in DeSoto County. While the tax issue is still important for conversation purposes, other quality of life and economic factors actually determine the movement of the population from the city to DeSoto County. In contrast to conventional wisdom, higher taxes, better schools, higher quality of life, stronger population growth, and economic expansion may go hand in hand.

Conclusion

While the strongest economic growth in Tennessee is mainly in Nashville and Knoxville, the Memphis MSA is prospering and growing, too. The overall outlook for the Memphis MSA in 2007 is for slow to moderate growth with some signs of improvement, especially if the U.S. economy continues to grow. While slow economic growth may not be exciting, at the least it is steady and reliable.

Prepared for the City of Memphis by the Sparks Bureau of Business and Economic Research/Center for Manpower Studies





PROPERTY TAX REVENUES

Property Tax revenues are the largest single source of operating revenues. This tax is levied based on the assessed value of various types of property including:

- Real property (land, structures, and lease-hold improvements),
- Personal property (business equipment, excluding inventories for resale) and
- Public utility property (real and personal property owned by utilities and organizations regulated by the State),

In 2006, Memphis' assessed value of real property

- 84.63% Residential
- 7.60% Commercial
- 1.84% Industrial
- 0.09% Farm
- 0.08% Multiple

Assessment Percentage of Appraisal

Residential	25%
Commercial	40%
Industrial	40%
Public Utility	55%
Farm	25%
Personal Property	30%

The assessed value of a residential property with an appraised value of \$100,000 would be \$25,000 (.25 x100,000), while a commercial property of the same appraised value would have an assessed value of \$40,000 (.40 x100,000).

Tax rates are set by the Council through the annual budget process. These rates are set as necessary in order to fund a balanced budget that provides services believed to be necessary and affordable.

The City Treasurer generates tax bills based on the following information: the assessed value of the property and the tax rate to figure each property tax bill. That office also collects the taxes.

To calculate the property tax bill, the assessed value is divided by \$100 and the result is multiplied by the tax rate. For example, a residential property appraised at \$100,000 would be assessed at \$25,000 (the \$100,000 appraised value times the 25% residential assessment ratio). With a tax rate set at \$3.43, the calculation is:

$$\begin{aligned} \text{tax} &= (\$25,000/\$100) \times \$3.43 \text{ per } \$100 \\ &= \$250 \times \$3.43 = \$857.50 \end{aligned}$$

Property tax bills are mailed to property owners and, if taxes are paid through an escrow account, also to the mortgage holder. This normally occurs by July 1. Tax payments are due by the end of August.

Property Tax revenues along with other local tax sources provide the City with the largest source of revenue to the operating budget.

Property appraisals are done by the Shelby County Assessor of Property, except for public utilities which are assessed by the Tennessee Regulatory Authority. Appraised value is the estimated market value based at a point in time. Certain properties are exempt such as government, religious, charitable etc.



Historical property tax rates are displayed in the table below.

HISTORY OF PROPERTY TAXES

Tax Year	Fiscal Year	General Fund	Schools	Debt Service	Capital Pay Go	Total Rate
1979	1980	1.740800	1.519200	0.476100	0.0000	3.74
1980	1981	1.720000	1.060000	0.290000	0.0000	3.07
1981	1982	2.000000	1.140000	0.410000	0.0000	3.55
1982	1983	2.080000	1.140000	0.450000	0.0000	3.67
1983	1984	1.680000	1.000000	0.450000	0.0000	3.13
1984	1985	1.680000	1.000000	0.450000	0.0000	3.13
1985	1986	1.830000	1.030000	0.450000	0.0000	3.31
1986	1987	1.909800	1.030000	0.370200	0.0000	3.31
1987	1988	1.896660	1.030000	0.383340	0.0000	3.31
1988	1989	1.588270	1.090000	0.631730	0.0000	3.31
1989	1990	1.662870	1.030000	0.617130	0.0000	3.31
1990	1991	1.620490	1.030000	0.659510	0.0000	3.31
1991	1992	1.094100	0.665655	0.386900	0.0000	2.15
1992	1993	1.304296	0.804955	0.566704	0.0000	2.68
1993	1994	1.610611	0.967537	0.596990	0.0000	3.18
1994	1995	1.672400	0.967538	0.535200	0.0000	3.18
1995	1996	1.672400	0.967538	0.535200	0.0000	3.18
1996	1997	1.672400	0.967538	0.535200	0.0000	3.18
1997	1998	1.672400	0.967538	0.535200	0.0000	3.18
1998	1999	1.376300	0.840675	0.548800	0.0000	2.77
1999	2000	1.376300	0.840675	0.548800	0.0000	2.77
2000	2001	1.751000	0.894900	0.724100	0.0000	3.37
2001	2002	1.678500	0.857800	0.694100	0.0000	3.23
2002	2003	1.675300	0.857800	0.694100	0.0032	3.23
2003	2004	1.675300	0.857800	0.694100	0.0032	3.23
2004	2005	1.675300	0.857800	0.694100	0.0032	3.23
2005	2006	1.908800	0.827100	0.694100	0.0032	3.43
2006	2007	1.908800	0.827100	0.694100	0.0032	3.43
2007	2008	1.908800	0.827100	0.694100	0.0032	3.43

LOCAL SALES TAX

Local Option Sales Tax collections are the second largest revenue source for the City. The 9.25% sales tax rate consists of 2.25% local option and 7.0% state sales tax. The local portion is limited to the first \$1,600 of each sale. By state law ½ of the local sales tax must be allocated to schools. The local sales tax rate can be raised by referendum.

STATE SALES TAX

State revenues are distributed from the state to the municipalities by percentage and population as stated in the Tennessee Code Annotated.

LICENSES AND PRIVILEGES

Licenses and Privilege fees are collected by the Permits Office as authorized by Ordinance and the County Clerk.

FINES AND FOREITURES

Fines and Forfeitures are collected by the City and County Clerk's Offices, and the Memphis Police Department.

CHARGES FOR SERVICES

Charges for Services are payments due for specific services provided by the City of Memphis or for the use of City Property.

USE OF MONEY

Maximum utilization of City dollars is accomplished by the investment of pooled funds in interest-bearing accounts. The City's Investment Specialists are responsible for such investments and determine which financial instruments provide the highest yield with a time frame commensurate with the City's need for liquidity and scheduled expenditures. In addition, a portion of the interest on investments are managed by outside money managers.

TRANSFERS IN

Transfers are made from various sources into the General Fund. One source is the State's Municipal Aid Fund. These funds are from gasoline and other fuel revenues that are disbursed throughout the counties and municipalities within the state of Tennessee as stated in Tennessee Code Annotated. Other sources are City Tax Sales, Drug Enforcement and Sewer Fund.

FUND BALANCE

The City of Memphis strives to maintain a general fund balance of 10% of expenditures. However due to an unanticipated shortfall in the general fund revenues, the fund balance is below its normal limits. Fiscal guidelines are in place to restore the fund balance back to the normal range over the next two fiscal years.

**General Fund
Undesignated Fund Balance**

