

■ operating budget

Sources of Revenue	FY 2006 Actual	FY 2007 Forecast	FY 2007 Budget	FY 2008 Adopted
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
Contribution (Use) of Fund Balance	33,196,174	16,558,209	8,676,632	1,698,436
Total Revenue\Others Sources	479,482,109	500,998,773	496,974,446	540,084,302

■ issues & trends

The Operating Budget Revenue for FY 2008 totals \$541,782,738. This represents a revenue growth of \$24.2M or 4.68% from the FY 2007 Forecast.

Our largest revenue source, local taxes are projected to increase \$8.1M or 2.29% from the FY 2007 Forecast. State taxes, our second largest revenue source are projected to increase \$2.5M or 4.27% from the FY 2007 Forecast. Licenses and Privileges increased slightly over the Forecast by 1.00%. Fines and Forfeitures increased by 1.00%. Charges for Services increased by 0.60%.

Other sources of revenue that contribute to the operating budget are use of money and property and transfers in. Both revenue sources increased slightly over FY 2007 Forecast.

GENERAL FUND

GENERAL REVENUES

Sources of Revenue	FY 2006 Actual	FY 2007 Forecast	FY 2007 Budget	FY 2008 Adopted
Local Taxes				
Ad Valorem Tax - Current	197,740,076	195,100,000	197,071,500	199,400,000
Ad Valorem Tax Prior	6,884,016	6,854,854	7,000,000	6,854,854
PILOT's	4,858,700	4,904,018	3,994,219	4,953,058
Property Taxes Interest & Penalty	8,427,173	6,692,707	6,692,707	6,759,634
Bankruptcy Interest & Penalty	1,055	2,000	0	2,020
Special Assessment Tax	140,336	100,000	89,112	101,000
Local Sales Tax	99,875,186	101,530,000	97,396,948	104,968,000
Alcoholic Beverage Inspection Fee	3,696,654	3,773,312	3,523,064	3,811,045
Beer Sales Tax	14,953,691	15,013,272	14,917,821	15,163,405
Gross Rec Business Tax	8,351,738	8,264,351	8,264,351	8,264,351
Interest, Penalties & Commission	172,705	166,856	202,255	168,525
Mixed Drink Tax	2,358,796	2,495,257	2,173,230	2,520,210
Bank Excise Tax	881,686	785,136	785,136	792,987
State Appointment TVA	5,145,927	5,145,928	5,196,479	5,196,479
Franchise Tax - Telephone	0	0	0	0
Cable TV Franchise Fees	4,183,060	4,180,474	4,349,363	4,222,279
Fiber Optic Franchise Fees	0	0	1,010	0
Misc Franchise Tax	30,029	280,100	10,100	282,901
Misc Tax Recoveries	2,505,986	1,515,000	1,515,000	1,530,150
MLGW/Williams Pipeline	315,874	315,000	315,000	315,000
Total Local Taxes	360,522,688	357,118,265	353,497,295	365,305,898
State Taxes				
State Income Tax	9,322,169	8,822,169	6,245,629	9,002,000
State Sales Tax	45,813,868	47,500,000	44,014,334	49,800,000
Telecommunication Sales Tax	117,556	143,761	143,761	145,199
State Shared Beer Tax	338,524	352,920	407,708	356,449
Alcoholic Beverage Tax	246,518	229,267	221,320	231,560
Spec Petroleum Product Tax	1,513,898	1,510,503	1,853,802	1,525,608
Total State Taxes	57,352,533	58,558,620	52,886,554	61,060,816
Licenses and Permits				
Liquor By Ounce License	287,280	288,148	239,149	291,029
Taxi Drivers License	24,564	25,210	16,055	25,462
Gaminy Pub Amus Perm Fee	21,401	19,946	17,745	20,145
Wrecker Permit Fee	5,134	6,822	2,527	6,890
Misc Permits	63,265	67,067	32,222	67,738
Beer Application	88,781	85,777	69,128	86,635
Auto Registration Fee	10,781,333	10,400,000	10,851,292	10,504,000



GENERAL FUND

GENERAL REVENUES

Sources of Revenue	FY 2006 Actual	FY 2007 Forecast	FY 2007 Budget	FY 2008 Adopted
Beer Permit Privilege Tax	154,814	152,043	160,659	153,563
Total Licenses and Permits	11,426,572	11,045,013	11,388,777	11,155,462
Fines and Forfeitures				
Court Fees	4,239,050	4,140,000	4,140,000	4,180,000
Court Costs	3,361,411	3,433,000	3,433,000	3,470,000
Fines & Forfeitures	186,040	137,246	137,246	138,618
Beer Board Fines	86,251	70,247	54,963	70,949
Arrest Fees	244,208	285,521	181,487	288,376
Total Fines and Forfeitures	8,116,960	8,066,014	7,946,696	8,147,943
Charges for Services				
Tax Sales Attorney Fees	787,645	485,000	626,919	489,850
Parking Meters	0	0	0	0
MLG&W Rent	5,030	6,000	6,000	6,000
Parking Lots	315,000	315,000	315,000	315,000
Total Charges for Services	1,107,675	806,000	947,919	810,850
Use of Money and Property				
Interest on Investments	1,306,771	228,901	228,901	231,190
Net Income/Investors	4,486	5,000	0	5,050
State Litigation Tax Commission	101,391	99,082	54,079	100,073
Total Use of Money and Property	1,412,648	332,983	282,980	336,313
Federal Grants				
Federal Grants - Others	30,971	677,811	0	0
Total Federal Grants	30,971	677,811	0	0
Other Revenues				
Commercial Revitalization Fee	51,759	51,759	50,000	50,000
Local Shared Revenue	0	0	0	0
Miscellaneous Income	31,488	24,899	25,250	25,148
City Property Damage Reim	248,834	298,349	0	301,332
Sewer Fund Cost Allocation	1,075,000	1,075,000	1,075,000	1,075,000
Miscellaneous Auctions	2,185,774	2,200,000	2,184,017	2,222,000
Court Reimbursement	676	1,515	1,515	1,530
Unclaimed Property	0	0	0	0
Bad Check Penalties	0	2,821	100	100
Cash Overage/Shortage	8,899	1,017	500	500
Sale Of Capital Assets	9,263	10,115	5,050	5,101
Treasurer - Misc Collections	6,100	100	0	0
Insurance Refund	1,257,311	59,800	0	0



GENERAL FUND

GENERAL REVENUES

Sources of Revenue	FY 2006 Actual	FY 2007 Forecast	FY 2007 Budget	FY 2008 Adopted
Recovery Of Prior Year Expense	67,432	252,500	252,500	250,000
Total Other Revenues	4,942,536	3,977,875	3,593,932	3,930,711
Transfers In				
In Lieu Of Taxes-MLGW	48,609,853	49,640,000	47,400,000	50,500,000
In Lieu Of Taxes-Sewer	3,836,532	3,836,532	4,242,000	3,874,897
In Lieu Of Taxes-Port Comm	0	0	0	0
Contrib From Municipal State Aid	14,019,315	16,196,000	16,163,056	17,357,960
Tfr In - Debt Service Fund	0	6,000,000	6,000,000	18,000,000
Tfr In - Sewer Operating/CIP	1,300,000	1,300,000	1,300,000	1,300,000
Tfr In - Tax Sales Fund	0	1,869	1,869	1,888
Total 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



Revenue Forecasting Methodology

The University of Memphis forecasters independently prepare monthly 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.

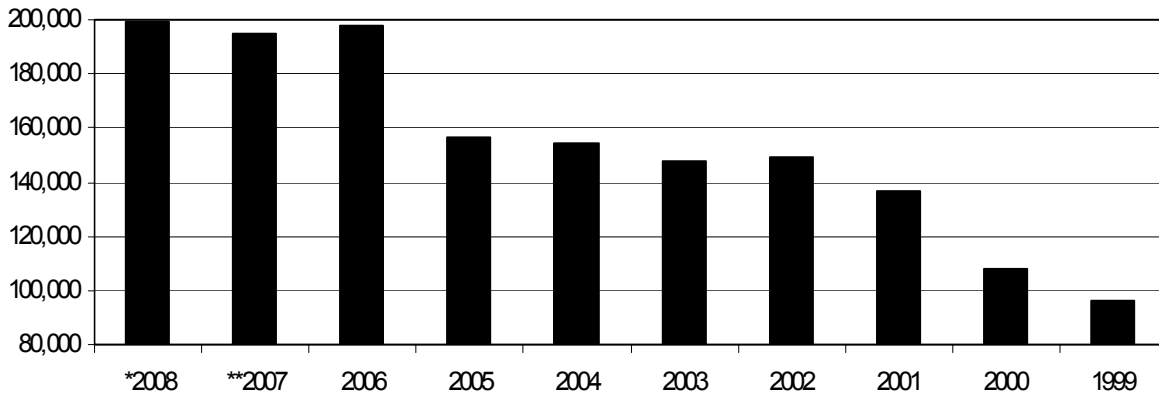
Stochastic simulations of the short- and long-term models generate empirical estimates of the probability distributions for the revenue sources. These distributions are reported both for the current fiscal year and the next fiscal year. These simulation results are used to report the high/low ranges 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
2008	199,300	2.15%	2003	147,626	-1.17%
2007	195,100	-1.34%	2002	149,375	9.04%
2006	197,740	26.26%	2001	136,985	27.27%
2005	156,617	1.55%	2000	107,631	11.58%
2004	154,221	4.47%	1999	96,457	3.45%

(In Thousands)



* FY 2008 Proposed
 ** FY 2007 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 increase changed the rate from 3.23 to 3.43, effective FY 2006.

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



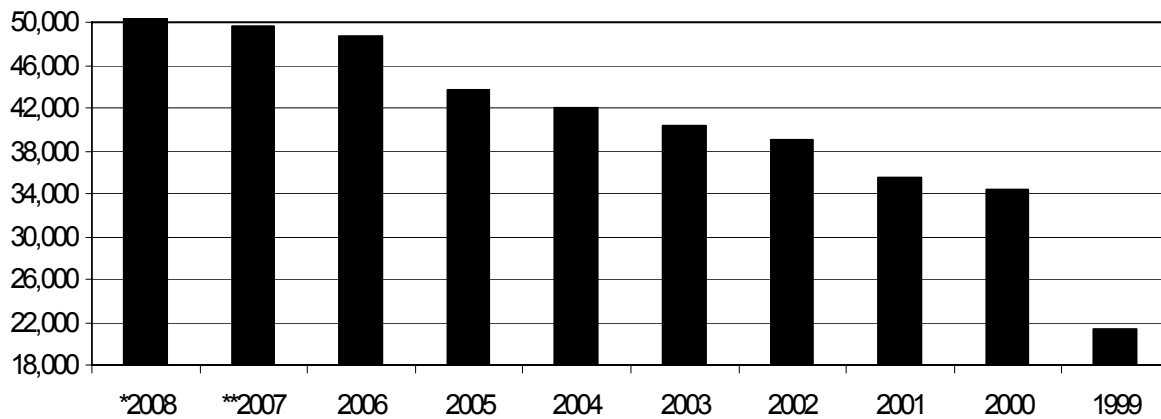
GENERAL FUND

GENERAL REVENUES

In lieu of Tax - MLGW

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2008	50,500	1.73%	2003	40,399	3.56%
2007	49,640	2.12%	2002	39,010	10.02%
2006	48,610	11.49%	2001	35,458	3.16%
2005	43,599	3.84%	2000	34,371	61.15%
2004	41,987	3.93%	1999	21,329	-2.24%

(In Thousands)



* FY 2008 Proposed

** FY 2007 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

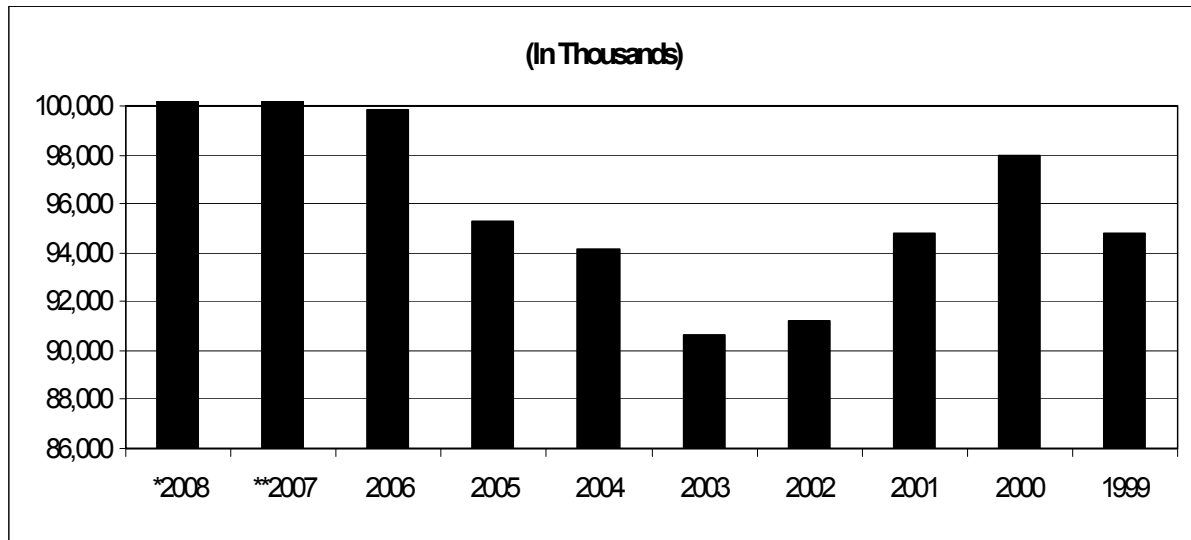


GENERAL FUND

GENERAL REVENUES

Local Sales Tax

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2008	104,068	2.50%	2003	90,672	-0.62%
2007	101,530	1.66%	2002	91,238	-3.77%
2006	99,875	4.84%	2001	94,811	-3.23%
2005	95,260	1.21%	2000	97,977	3.39%
2004	94,123	3.81%	1999	94,769	7.35%



- * FY 2008 Proposed
- ** FY 2007 Forecast

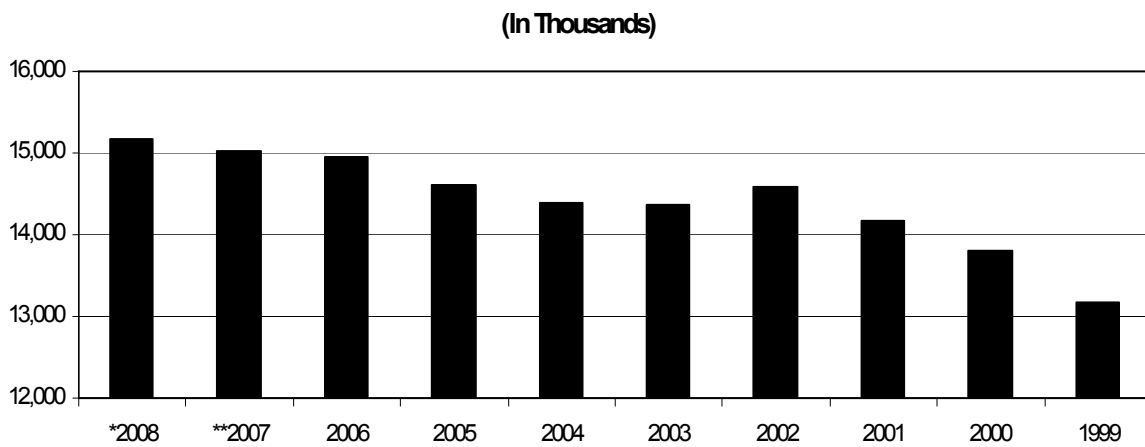
This is the second largest revenue source for the City. It is charged on the gross proceeds derived from the retail sales or use of tangible personal property and certain specific services. It is computed at 2.25% of the amount of each transaction. One half of the proceeds go to education. The last increase 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
2008	15,163	1.00%	2003	14,367	-1.49%
2007	15,013	0.39%	2002	14,585	2.93%
2006	14,954	2.28%	2001	14,170	2.72%
2005	14,620	1.65%	2000	13,795	4.80%
2004	14,382	0.10%	1999	13,163	2.47%



* FY 2008 Proposed
 ** FY 2007 Forecast

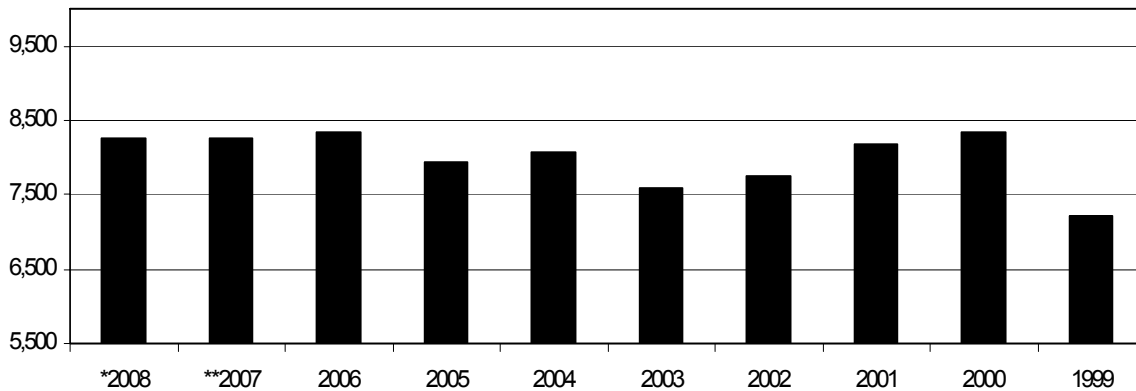
This is a 17% levy on the sale of beer at wholesale. It is collected by the wholesaler from the retailer and other persons within the corporate limits of the municipality at the time of sale. Fees are remitted to the City by the wholesaler on a monthly basis. T.C.A. 57-5-103.

Major Influences: Wholesalers price and consumption rates

Gross Receipts Business Tax

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2008	8,264	0.00%	2003	7,582	-2.02%
2007	8,264	-1.05%	2002	7,738	-5.40%
2006	8,352	5.15%	2001	8,180	-2.04%
2005	7,943	-1.49%	2000	8,350	15.86%
2004	8,063	6.34%	1999	7,207	9.88%

(In Thousands)



* FY 2008 Proposed
 ** FY 2007 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

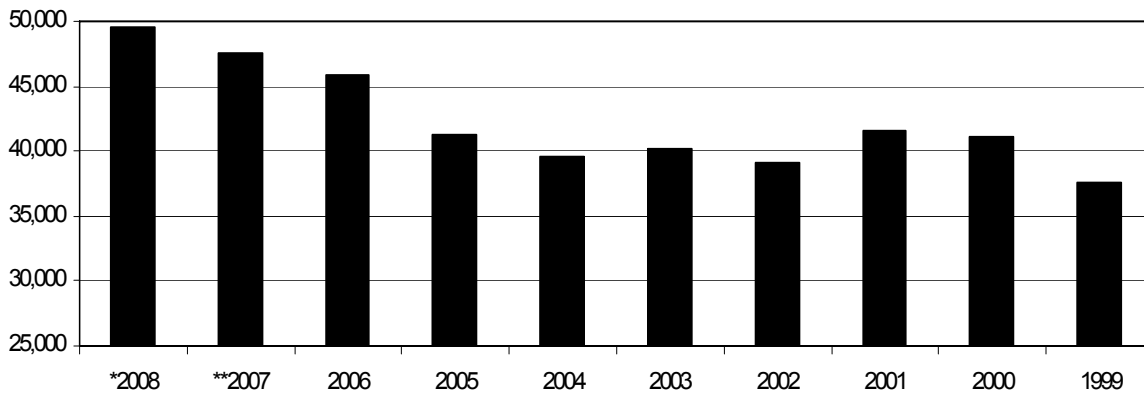
GENERAL FUND

GENERAL REVENUES

State Sales Tax

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2008	49,500	4.21%	2003	40,216	2.74%
2007	47,500	3.68%	2002	39,145	-5.72%
2006	45,814	11.18%	2001	41,518	1.05%
2005	41,206	3.96%	2000	41,085	9.15%
2004	39,638	-1.44%	1999	37,642	4.75%

(In Thousands)



* FY 2008 Proposed

** FY 2007 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.

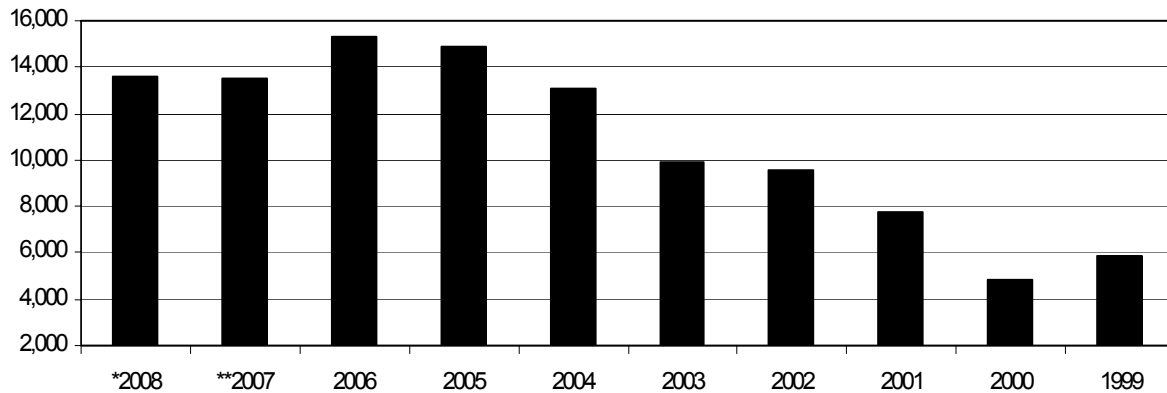
Major Influences: Population (relative to State) and Taxable Sales



Delinquent Property Tax w/ Interest

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2008	13,614	0.49%	2003	9,887	3.89%
2007	13,548	-11.51%	2002	9,517	22.09%
2006	15,311	2.89%	2001	7,795	60.39%
2005	14,881	13.86%	2000	4,860	-16.91%
2004	13,069	32.18%	1999	5,849	38.63%

(In Thousands)



* FY 2008 Proposed

** FY 2007 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

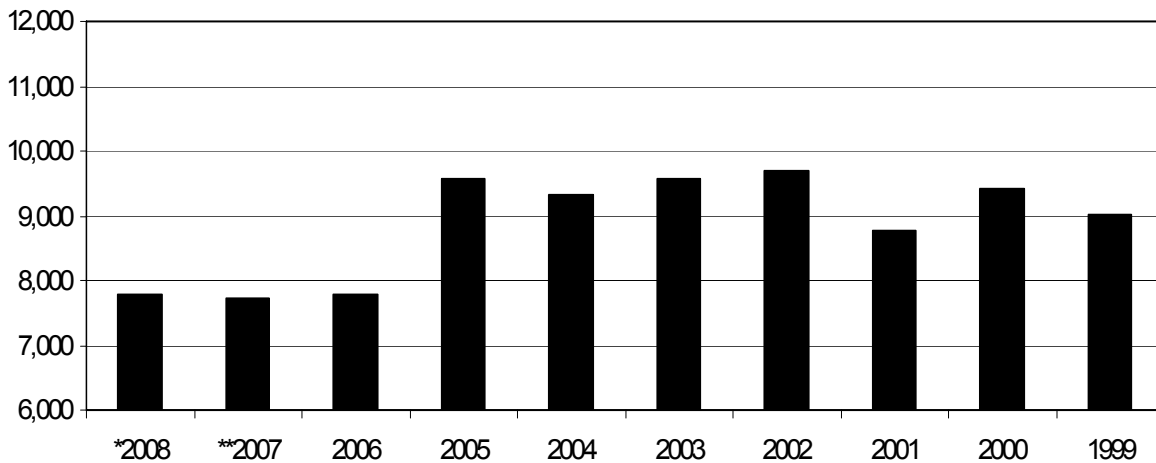
GENERAL FUND

GENERAL REVENUES

Court Costs/Fines

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2008	7,789	1.02%	2003	9,569	-1.40%
2007	7,710	-0.99%	2002	9,705	10.55%
2006	7,787	-18.74%	2001	8,779	-6.84%
2005	9,583	2.88%	2000	9,424	4.56%
2004	9,315	-2.65%	1999	9,013	8.51%

(In Thousands)



* FY 2008 Proposed

** FY 2007 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 courses. Fees require Ordinance change and Council approval, Section 11-24-25 Memphis Code.

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



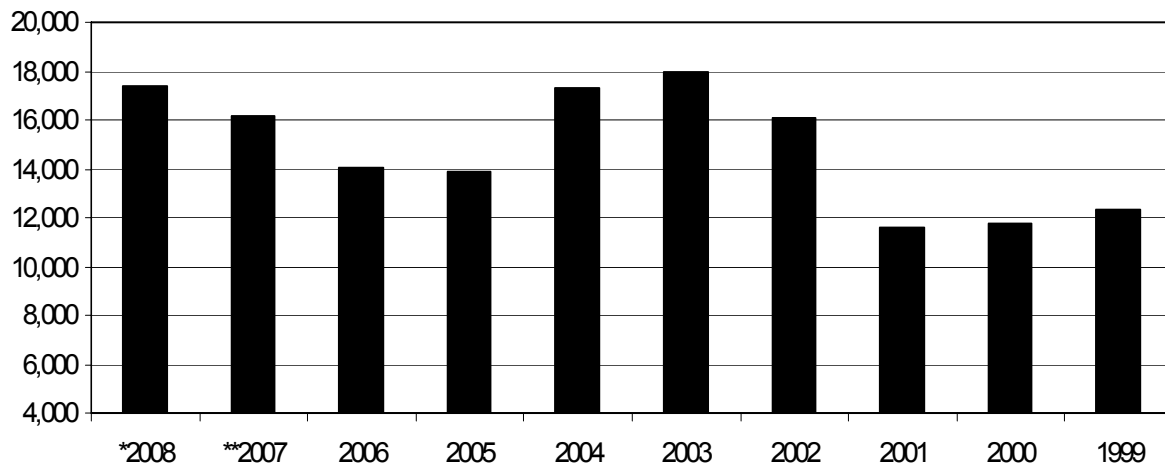
GENERAL FUND

GENERAL REVENUES

Municipal State Aid

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2008	17,358	7.17%	2003	17,966	11.79%
2007	16,196	15.53%	2002	16,071	38.61%
2006	14,019	1.28%	2001	11,594	-1.48%
2005	13,842	-19.84%	2000	11,768	-4.55%
2004	17,267	-3.89%	1999	12,329	110.97%

(In Thousands)



* FY 2008 Proposed

** FY 2007 Forecast

Approximately 12.7% of the .20 cents per gallon collected from gasoline pursuant to T.C.A. 67-3-1301 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. 67-3-2001, T.C.A. 67-3-2005 and T.C.A. 67-3-2008.

Major Influences: Population and Gasoline Sales



