

City of Memphis

Wrap – Up Document

May 29, 2012

Roland McElrath, Director of Finance

**City of Memphis
FY 2013
General Fund Summary**

Revenues	Original Budget Request	Revised Budget Request	Inc (Dec) *
Local Taxes	\$ 426,200,364	\$ 426,200,364	\$ -
State Taxes	\$ 55,660,114	\$ 55,660,114	\$ -
Licenses and Permits	\$ 10,482,191	\$ 10,482,191	\$ -
Fines and Forfeitures	\$ 14,680,100	\$ 15,880,100	\$ 1,200,000
Grants	\$ 1,765,428	\$ 1,765,428	\$ -
Charges for Services	\$ 31,792,053	\$ 31,792,053	\$ -
Use of Money	\$ 467,151	\$ 467,151	\$ -
Intergovernmental Revenue	\$ 4,130,060	\$ 4,130,060	\$ -
Other Revenue	\$ 6,903,614	\$ 6,903,614	\$ -
Total General Revenues	\$ 552,081,075	\$ 553,281,075	\$ 1,200,000
Transfers	\$ 76,305,897	\$ 76,305,897	\$ -
Total Revenue/Transfers	\$ 628,386,972	\$ 629,586,972	\$ 1,200,000
Expenditures			\$ -
Personnel	\$ 424,668,699	\$ 425,487,489	\$ 818,790
Material and Supplies	\$ 114,282,648	\$ 115,214,050	\$ 931,402
Capital Outlay	\$ -		\$ -
Grants and Subsidies	\$ 69,755,493	\$ 72,275,493	\$ 2,520,000
Inventory	\$ 58,350	\$ 58,350	\$ -
Transfer Out	\$ 19,587,710	\$ 19,587,710	\$ -
Gross Expenditures	\$ 628,352,900	\$ 632,623,092	\$ 4,270,192
Contribution (Use) of Fund Balance	\$ 34,072	\$ (3,036,120)	\$ (3,070,192)

* See page 4 for details

**City of Memphis
FY 2013
Other Funds Summary**

Enterprise Funds

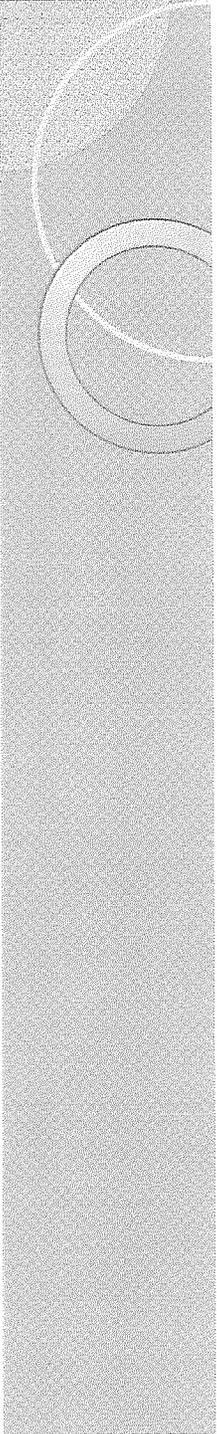
Sewer Funds	Decrease by \$77,783	- 1 AC - Environmental Projects Manager
Storm Water Funds	No Change	

Internal Services Funds

Health Insurance	No Change	
Fleet Management	No Change	

Special Revenue Funds

Metro Alarm Fund	No Change	
MLK Park Improvements	No Change	
Zoo Grants	No Change	
Solid Waste Management Fund	Increase by \$77,783	+ 1 AC - Environmental Projects Manager



Details of FY2013 Operating Budget Request

City of Memphis
FY 2013 O & M Budget Hearings Summary
 Wrap-Up May 29, 2012

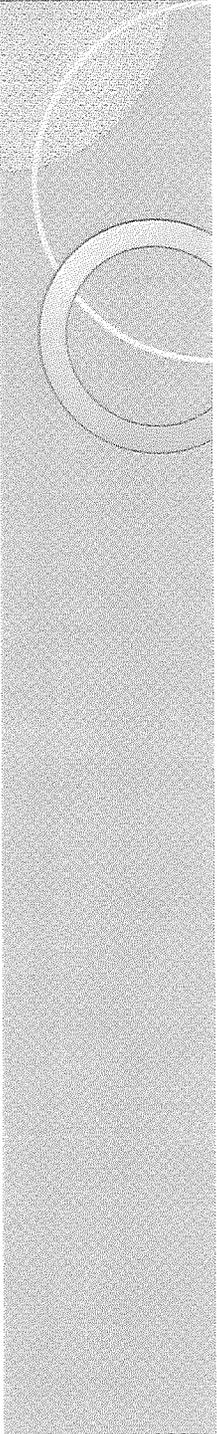
Division	Proposed Budget	Administration Changes	Council Hearing Adjustments	Full Council Wrap-up Adjustments	Total Adjustments	Revised Proposed Budget
City Attorney	10,048,357		0	0	0	10,048,357
City Council	1,596,326	(70,254) ³	(10,000) ³	0	(80,254)	1,516,072
City Court Clerk	4,846,848		0	0	0	4,846,848
City Court Judges	601,722		0	0	0	601,722
Engineering	8,517,460		0	0	0	8,517,460
Executive	5,132,613		0	0	0	5,132,613
Finance	4,890,341		0	0	0	4,890,341
Fire	154,966,115		0	0	0	154,966,115
General Services	22,992,787		0	0	0	22,992,787
Grants & Agencies	78,813,397	2,520,000 ¹	0	0	2,520,000	81,333,397
HCD	5,000,550		0	0	0	5,000,550
Human Resources	7,342,439		0	0	0	7,342,439
Information Services	15,901,093		0	0	0	15,901,093
Parks and Neighborhoods	42,594,087	796,132 ²	1,034,314 ⁴	0	1,830,446	44,424,533
Police	238,992,383		0	0	0	238,992,383
Public Works	26,116,382		0	0	0	26,116,382
Total	628,352,900	3,245,878	1,024,314	0	4,270,192	632,623,092

Grants and Agencies
¹ \$2,500,000 EDGE Program
 \$20,000 Books from Birth Program

Parks and Neighborhoods:
² -20,000 Books from Birth Program
 +146,623 Admin M&S not moved over on restructure 190101 to 150101
 +669,508.77 Sewer rate increase for the disposal of waste water.

City Council
³ Adjustment to Printing Postage, Personnel and Document
 Reproduction and Lawsuits
 Decrease MPS by \$10,000

Parks and Neighborhoods
⁴ Council voted to restore Library closings
 +818,790 Personnel
 +215,524 Admin M & S



Potential Items That May Change
The Administration's FY 2013 Budget Request
(Items Still Under Consideration)

Items Still Under Consideration With Associated Risk to The City of Memphis

Risk: Low to High



Item Under Consideration

Depot Sale (Fund Balance) \$ 9.0 Million

Elimination of Vacancies \$ 2.1 Million

OPEB Trust Bonds \$20.0 Million

Planned Use of Fund Balance \$ X.X Million

	No Operational Impact	Limited Operational Impact	Future Debt Service Cost / Potential Rating Impact	Definite Impact to Bond Rating
	v			
		v		
			v	
				v

Analysis: Depot Sale Proceeds

Budgetary Relief: \$ 9.0 Million

Description: Proceeds received from the sale of the Defense Depot property.

Advantages:

- Reduces tax rate increase by \$0.085

Disadvantages:

- One time revenue measure. Additional Budget cuts would have to be implemented in 2014.
- Reduces the City' financial capacity to respond to disasters or other circumstances requiring financial flexibility.

Analysis: OPEB Funding Bonds

Budgetary Relief: \$20.0 Million

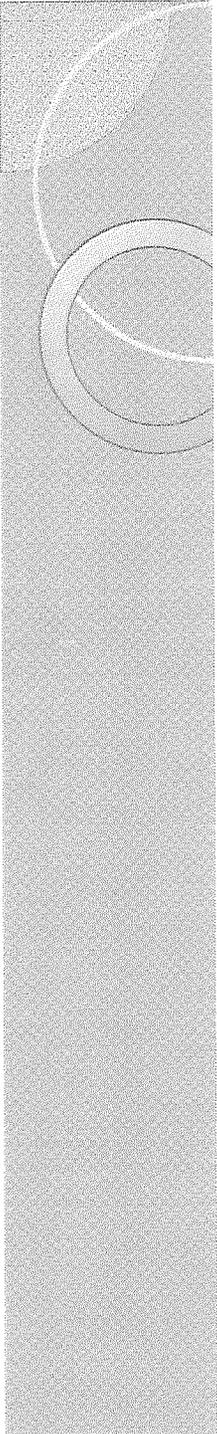
Description: This would be a borrowing program.

Advantages:

- Reduces tax rate increase by \$0.186

Disadvantages:

- Increases the amount of the City's outstanding debt.
- Increases future Debt Service Cost.
- May negatively impact credit rating.



Fund Balance

The Administration urges **CAUTION** in the use of Fund Balance.

Details on the importance of maintaining an adequate Fund Balance Level follow in this section.

Why Maintain A Fund Balance

- Memphis is Self Insured
- One Major disaster could deplete the City's fund balance.
- Without Federal Assistance the City would face severe financial challenges.

Appropriate Fund Balance Level for Municipalities

Objective:

Discuss appropriate level of reserves (fund balance) for a municipality the size of the City of Memphis.

Background:

Reserves, also called fund balance, rainy day funds, etc., are the first line of defense in responding to fiscal adversity. Reserves are essentially insurance protections that improve the City's ability to manage risk.

It is essential that governments maintain adequate levels of reserves to mitigate current and future risks (i.e. revenue shortfalls, unexpected expenditures, emergencies, etc.) and to provide stable tax rates. Reserve levels are a crucial consideration in long term financial planning and credit rating agencies monitor reserve levels to evaluate a government's continued creditworthiness.

Those interested in improving the City's creditworthiness or financial position are likely to favor higher levels of reserves. Pressure for lower reserves often comes from unions, taxpayers and citizen groups which may view high reserves as "excessive".

Best Practices:

The Government Finance Officers Association (GFOA) recommends, at a minimum, that governments, regardless of size, maintain a general fund reserve of no less than two months of regular operating revenues or operating expenditures. Two months of operating expenditures for the City of Memphis would total approximately \$105 million (\$52.4 million/month x 2 months).

The following should also be considered in establishing the amount of reserves:

- The predictability or volatility of revenues and expenses;
- Exposure to one-time outlays such as disasters;
- Liquidity and /or cash flow needs;
- Legal or regulatory requirements;
- Funds required to pay debt service costs.

Rating Agencies:

One of the key financial statistics used by the rating agencies to evaluate financial strength of a municipality is the general fund balance as a percent of revenues. This ratio provides a measure of the financial reserves potentially available to fund unforeseen contingencies as well as likely future liabilities. In order for municipalities to maintain their credit ratings, the rating agencies expect municipalities to maintain fund balance levels comparable to the peer cities within the same rating level. If the fund balance is not maintained at this level, this could have adverse impact on the municipality's rating.

Past Experience:

In 2003, Memphis used approximately \$13.6 million of its reserves for the straight line windstorm of that year. The City also incurred unplanned expenditures for Hurricane Katrina in 2005; Hurricane Gustav in 2008; and a major windstorm in June 2009.

The City of Memphis had no reserves at the end of fiscal year 2005 and as a result, the City's credit rating was downgraded by all three rating agencies. However, as a result of strategic financial planning, the reserves were restored to \$97 million over the intervening four year period. Unassigned reserves for fiscal year 2011 are approximately \$81 million.

Peer Cities:

Our research indicates that peer cities with bond ratings equivalent to Memphis maintained a reserve level equal to 14.6% of general fund revenues at June 30, 2011. Memphis' reserve level was 13.6% of revenues at FYE 2011. Chattanooga's reserve was 17.6%; Knoxville's was 34.5%; Atlanta's was 13%; and Louisville, KY's was 11.6% at FYE 2011.

City Policy:

The City of Memphis seeks to maintain a minimum general fund reserve level equivalent to 10% of its general fund operating expenditures. Due to the City's reliance on one major revenue source, property taxes, and due to the volatility of the next largest revenue source, sales taxes, the City should strive to achieve a reserve level that is significantly higher than the minimum policy target.

Conclusion:

Based upon GFOA standards, the City of Memphis should strive to achieve a minimum reserve of \$105 million. A reserve of this magnitude would adequately position the City to effectively respond to disaster related expenditures or shortfalls in future revenues without drastically reducing core public services. It would also aid the City in maintaining its current credit rating.

MFRA

Moody's Investors Service

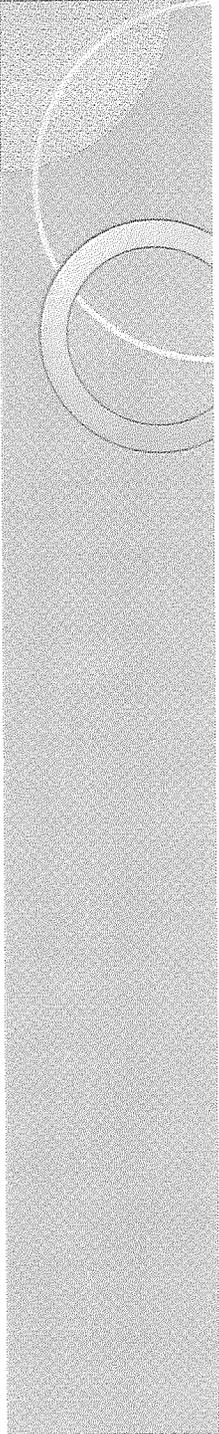
12-March-2012 7:01 PM Eastern Standard Time

Comparison Summary

Selected Financials and other Datapoints	Medians	Atlanta, GA	Charlotte, NC	Chattanooga, TN	Indianapolis, IN **	Knoxville, TN	Louisville-Jefferson County Metro Government, KY	Memphis, TN	Nashville-Davidson, TN
		2011	2011	2011	2010	2011	2011	2011	2011
General Entity Information									
Current Senior Most Rating*	Aa1	Aa2	Aaa	Aa1	Aaa	Aa1	Aa1	Aa2	Aa1
Tax Backed Rating Description	N/A	LT SR GO	LT SR GO	LT SR GO	LT SR GO	LT SR GO	LT SR GO	LT SR GO	LT SR GO
State	N/A	GA	NC	TN	IN	TN	KY	TN	TN
Financial Statistics & Ratios									
Total General Fund Revenues (\$000)	550,899	513,308	522,539	213,251	654,535	174,473	579,259	668,766	802,295
General Fund Balance as % of Revenues	21	18.4	28.6	23.6	25.5	37.4	13	13.6	8.4
Unreserved General Fund Balance as % of Revenues	14.6	13	16.2	17.6	20.4	34.5	11.6	12.6	7.7
Tax Base Statistics and Ratios									
Total Full Value (\$000)	51,873,788	64,587,935	77,217,662	15,187,144	40,466,737	13,472,991	76,810,942	38,069,899	63,280,838
Full Value Per Capita (\$)	95,777	153,780	105,572	90,575	48,772	75,321	103,645	58,851	100,978
Average Annual Increase in Full Value (%)	3.9	-9.5	4.4	4.9	-0.6	5	3.4	1.3	4.6
Debt Statistics & Ratios									
Direct Net Debt Outstanding (\$000)	1,172,246	1,084,440	1,347,629	298,195	1,713,541	60,146	427,813	1,260,051	2,054,578
Direct Net Debt as % of Full Value	1.9	1.7	1.7	2	4.2	0.4	0.6	3.3	3.2
Debt Burden (Overall Net Debt as % Full Value)	3.1	2.4	3.3	2.9	5.5	2.6	1	6	3.7
Payout, 10 Years, All Tax-Supported Debt (%), Current Value	68.4	73	50.7	65.9	91.4	51	70.9	74.2	55.8
Demographic Statistics									
Per Capita Income (2000 Census)	21,640	25,772	26,823	19,689	21,640	18,171		17,838	22,018

* The Rating displayed in MFRA is the most recent derived underlying rating issued by Moody's Investors Service, Inc.

MFRA® (Municipal Financial Ratio Analysis)



Details of FY2013 Capital Improvement Program Budget Request

FY 2013 CIP Budget by Revenue Source

	General Obligation		Federal Grants CIP		Federal Grants Other		State Grants		Local Other CIP		Tax Credit Equity		Other Grant Revenue		Sewer Revenue Bond *		Total Request	
	Reprogram	FY2013	Reprogram	FY2013	Reprogram	FY2013	Reprogram	FY2013	Reprogram	FY2013	Reprogram	FY2013	Reprogram	FY2013	Reprogram	FY2013	Reprogram	FY2013
Requested Budget	\$ 134,851,838	\$ 73,932,000	\$ -	\$ 36,011,405	\$ 4,339,000	\$ -	\$ 250,000	\$ 1,728,000	\$ 770,000	\$ 7,325,447	\$ -	\$ 10,369,120	\$ -	\$ 6,567,712	\$ 116,403,725	\$ 52,000,000	\$ 256,614,563	\$ 187,933,684
ISO1060 CAD / Mobile Terminal										\$(2,000,000)							\$ -	\$(2,000,000)
Parks & Neighborhoods Various Projects		\$ 1,180,000															\$ -	\$ 1,180,000
END1037 CMAQ Bike Facilities					\$ 1,400,000												\$ 1,400,000	\$ -
CD01083 Triangle Nior				\$ 3,297,064		\$ 4,253,681				\$ 282,242		\$(470,110)		\$(6,567,712)			\$ -	\$ 795,165
Executive Chisica Hotel		\$ 2,000,000															\$ -	\$ 2,000,000
Police Various Projects		\$ 500,000															\$ -	\$ 500,000
Total Request	\$ 134,851,838	\$ 77,612,000	\$ -	\$ 39,308,469	\$ 5,739,000	\$ 4,253,681	\$ 250,000	\$ 1,728,000	\$ 770,000	\$ 5,607,689	\$ -	\$ 9,899,010	\$ -	\$ -	\$ 116,403,725	\$ 52,000,000	\$ 258,014,563	\$ 190,408,849

* Sewer Revenue Total includes \$5.0 M in Sewer Cash Reprogrammed and \$15.0M in Sewer Cash for FY 2013 for EPA Consent Decree.

City of Memphis

FY 2013 Capital Improvement Hearing Summary

Wrap-Up May 29, 2012

Division	Reprogrammed	GO Bond	All Other Funds	Proposed FY 2013 Budget	Administrative Changes	Council Hearing Adjustments	Full Council Wrap-Up Adjustments	Revised Proposed Budget
Community Enhancement	0	3,000,000	0	3,000,000				3,000,000
Engineering	5,100,000	2,350,000	0	7,450,000		1,400,000 ⁴		8,850,000
Executive	0	160,000	0	160,000		2,000,000 ⁵		2,160,000
Fire	0	3,881,598	0	3,881,598				3,881,598
General Services	0	9,318,800	0	9,318,800				9,318,800
Grants & Agencies	0	0	0	0				0
HCD	0	2,250,000	22,062,279	24,312,279		795,165 ⁶		25,107,444
Information Services	0	3,750,000	2,000,000	5,750,000	(2,000,000) ¹			3,750,000
MATA	0	2,742,602	15,552,000	18,294,602				
Parks and Neighborhoods	0	4,194,000	0	4,194,000	1,180,000 ²			5,374,000
Police	0	7,500,000	0	7,500,000	500,000 ³			8,000,000
Public Services	0	70,000	0	70,000				70,000
Public Works	1,769,000	18,195,000	22,387,405	42,351,405				42,351,405
Sewer	116,403,725	52,000,000	0	168,403,725				168,403,725
Storm Water	133,341,838	16,520,000	0	149,861,838				149,861,838
				0				
Total	256,614,563	125,932,000	62,001,684	444,548,247	(320,000)	4,195,165	0	448,423,412

Information Systems

¹ IS01060 Grant funding received in FY2012 for CAD and Mobile Terminals

² Parks and Neighborhoods
Pending Outside Agency Funding

³ Police
Pending Outside Agency Funding

⁴ Engineering
EN01037 CMAQ Bike Facilities Reprogramming of CMAQ Funding

⁵ Executive
Pending Chisica Hotel

⁶ HCD
CD01083 Triangle Noir reclassified Federal grants, Local Other CIP and Tax Credit Equity

**City of Memphis
FY 2013
Education Fund Summary**

Revenues	Original Budget Request
Local Taxes	\$ 19,350,000
Traffic Violation Bureau (TVB)	\$ 1,500,000
 Total Revenue/Transfers	 \$ 20,850,000
 Expenditures	
Memphis City Schools	\$ 71,000,000
Gross Expenditures	\$ 71,000,000
 Unfunded Obligation	 <u>\$ (50,150,000)</u>
 Calculation \$50,150,000 / \$1,075,000	 \$ 0.4665

* No Revision from Original proposed budget by Administration.
The request is for a tax increase to fund MCS.