



CITY of MEMPHIS

FINANCE DIVISION

1ST QUARTER FINANCIAL REPORT

GENERAL FUND

September 2012

Director of Finance
Brian Collins

FY2013

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1ST Quarter Financial Report

Overview

This document provides a review of the City's General Fund financial performance for the first quarter of the Fiscal Year 2013 (July - September). Two comparative sections discuss the financial performance and give perspective on the financial results.

The first section, pages 4-6 , compares the actual performance of both revenues and expenditures for the first three months to the actual performance of the first three months for the prior year.

The second section, pages 8-10 is a full year forecast of the expected results. This section aligns the full year FYE 2013 budget with management's expected full year performance of both revenues and expenditures based on the actual results of the 1st quarter's operations.

As of this reporting management's initial reviews have determined that revenues will be below the budget plan by approximately (\$2.8) million and expenditures will be above planned levels by \$3.6 million. The net impact to fund balance is (\$6.4) million.

Any statement made in this report, including in the appendices, involving forecasts, estimates, or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any forecast, estimate, or matter of opinion will be realized.

FY 2013 Actuals @ 09/30/2012

VS

FY 2012 Actuals @ 09/30/2011

Comparative Revenue Summary

of

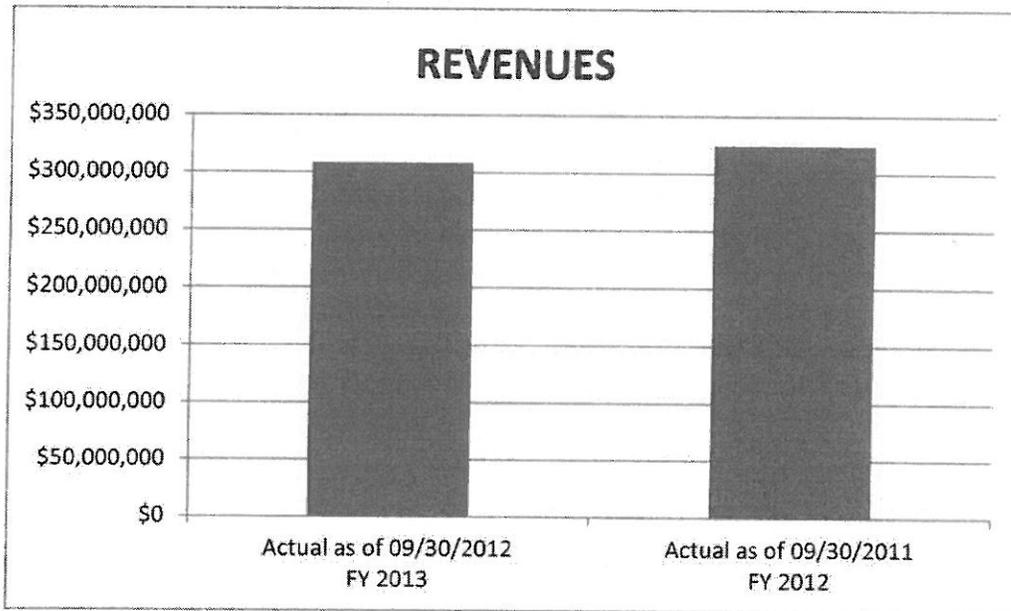
Quarter 1 Actual Revenues FY 2013

vs.

Quarter 1 Actual Revenues FY 2012

Total revenue collected in the 1st quarter of FY 2013 was \$308.5 million vs a collection of \$324.3 million at this same time last year. This difference is primarily caused by the reduction of the property tax rate by \$0.18 (18 cents). A portion of the reduction \$0.10 (10 cents) was directed to Memphis City Schools (MCS). Fines and forfeitures also show an increase in revenue over the prior year due to the full implementaton of a revised fine and fee structure. Other revenue reflect the collection from a one time property sale.

See page 6 for revenue details



Comparative Expense Summary

of

Quarter 1 Actual Expenditures FY 2013

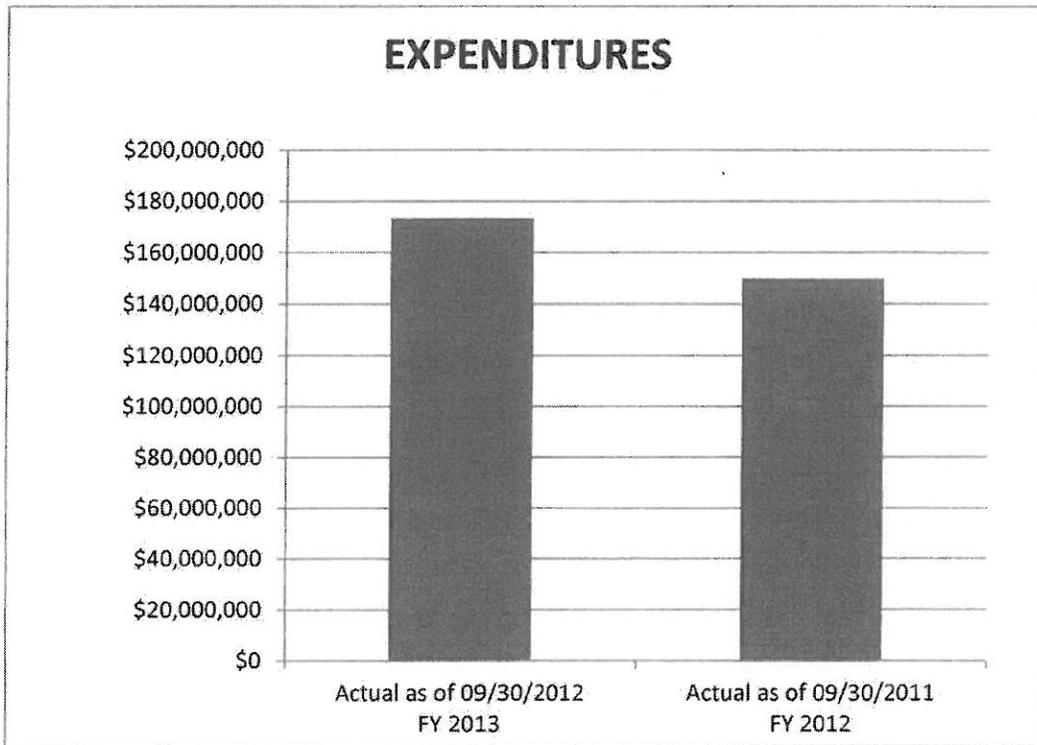
vs.

Quarter 1 Actual Expenditures FY 2012

Total expenditures for the first quarter of the FY 2013 were \$173.4 million vs. FY2012 which were \$149.9 million; higher by \$23.5 million. This is primarily due to the accelerated pace of MCS funding. As of the 1st quarter we have paid MCS \$37.7 million, last year we had not paid MCS at this time. Personnel expenditures are showing lower in the first quarter of this year because of one less payroll.

See page 6 for expenditure details.

(Divisional expenditures are shown in the appendix on page 12.)



**Comparative Summary
of
Quarter 1 Actual Performance
FY 2013 vs FY 2012**

Revenue	FY2013 Actual Qtr Ending 09/30/12	FY2012 Actual Qtr Ending 09/30/2011	Variance	%
Local Taxes	\$274,573,381	\$293,981,791	(\$19,408,410)	-6.60%
State Taxes	\$11,788,954	\$11,623,857	\$165,097	1.42%
License and Permits	\$2,866,405	\$2,774,013	\$92,392	3.33%
Fines and Forfeitures	\$3,941,561	\$2,783,892	\$1,157,670	41.58%
Charges for services	\$7,576,783	\$6,703,229	\$873,554	13.03%
Use of Money	\$25,828	\$114,771	(\$88,943)	-77.50%
Federal Grants	\$35,529	\$7,201	\$28,328	393.39%
State Grants	\$203,674	\$314,613	(\$110,939)	-35.26%
Intergovernmental Revenues	\$992,156	\$843,143	\$149,013	17.67%
Other Revenues	\$2,673,747	\$1,052,100	\$1,621,647	154.13%
Transfers	\$3,885,861	\$4,158,443	(\$272,582)	-6.55%
Total Revenues	\$308,563,880	\$324,357,052	(\$15,793,172)	-4.87%
Supporting detail of page 4.				

Functional Expenditures	FY2013 Actual Qtr Ending 09/30/12	FY2012 Actual Qtr Ending 09/30/2011	Variance	%
Personnel Services	\$91,163,046	\$108,583,384	(\$17,420,338)	-16.04%
Material and Supplies	\$17,860,951	\$16,410,254	\$1,450,697	8.84%
Capital Outlay	\$217,907	\$30,274	\$187,634	619.79%
Grants and Subsidies	\$24,480,968	\$24,831,713	(\$350,746)	-1.41%
Inventory	\$125	\$54,864	(\$54,739)	-99.77%
Transfers Out	\$39,712,658	\$0	\$39,712,658	100.00%
Investment Fees	\$19,940	\$22,235	(\$2,295)	-10.32%
Others	\$4,783	\$12,647	(\$7,864)	-62.18%
Total Expenditures	\$173,460,379	\$149,945,372	\$23,515,007	15.68%
Change in Net Assets	\$135,103,501	\$174,411,680	(\$39,308,179)	-22.54%
Supporting detail of page 5. See Appendix (page 12) for divisional expenditure breakout.)				

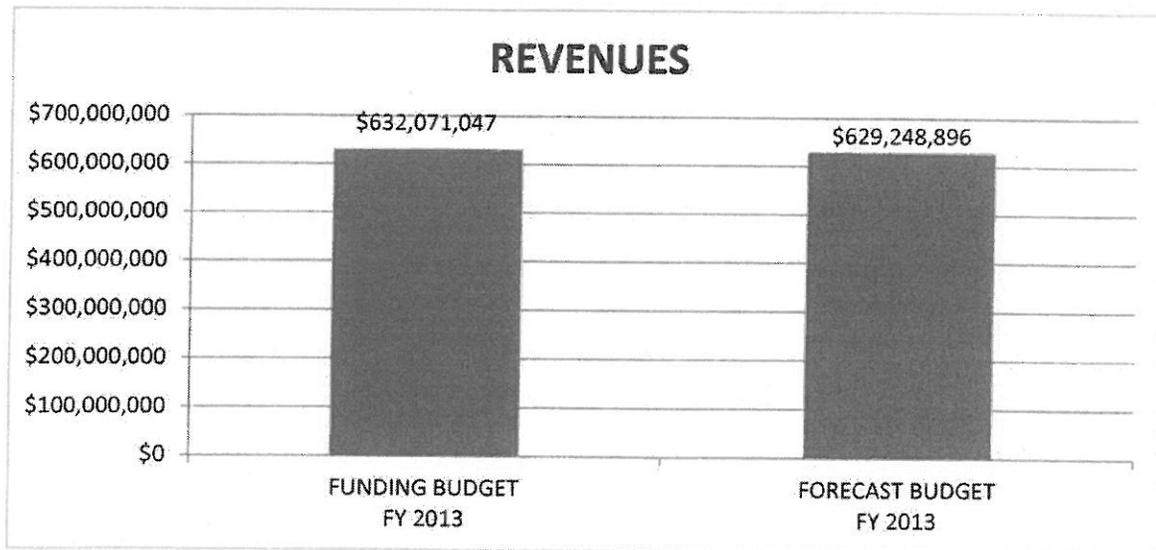
FY 2013
FORECAST

REVENUE FORECAST FY 2013

Total revenue for FY 2013 is projected to be (\$2.8) million below the budget plan. The major contributing factors are as follows:

- * **Local taxes** - We are projecting that the City of Memphis property tax will be about 3.0% lower than budget. This translates into a (\$6.9) million impact. Local Sales tax is trending about 5% below last year's collections. This is a (\$1.8) million dollar impact. On the positive side we are expecting to collect \$1.2 million more in franchise fees.
- * **Fines and Forfeitures** - We project that the City of Memphis will be above the budget plan for this revenue source by approximately \$1.3 million as the full implementation of a revised fee structure is complete.
- * **Charges for services** - The collection of ambulance service fees are ahead of pace by \$2.0 Million. On the negative side we will have a (\$1.0) million variance due to the delay of the MVIB inspection fee implementation.
- * **Transfers In** - The transfer plan for Solid Waste has changed and the transfer of (\$1.031) million will not occur. The MLGW in-lieu-of payment is a highly volatile number. This may change as MLGW is the largest component of this category.
- * **Other Revenue** - This category includes unplanned revenues from the FY 2012 sale closure of the Defense Depot of \$1.4 million and anticipated FEMA collections of \$2.0 million.

See page 10 for revenue forecast details.



EXPENDITURE FORECAST FY 2013

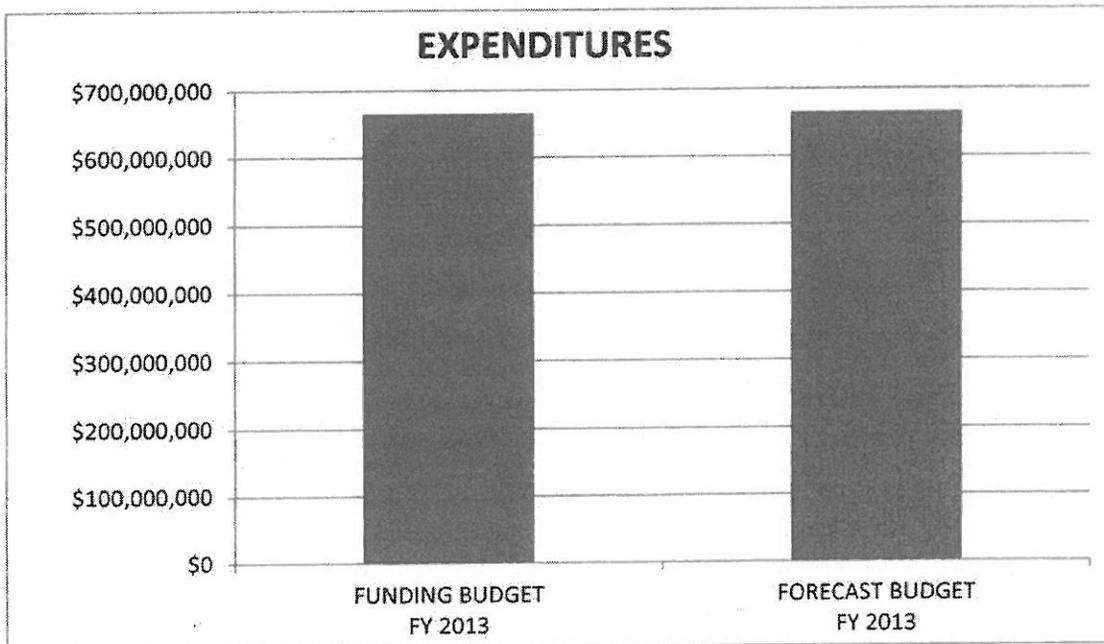
The expenditure review of the 1st Quarter is showing most divisions performing at budget. There are two exceptions. One exception is that \$2.4 million was added to the budget for spending on the innovation team. This spending was allowed as a result of the Wells Fargo Settlement. Another exception is spending for promotional testing. This is expected to be above the current budget levels by \$1.2 million. Although these exceptions have been included in the forecast, management will make every effort to minimize the variances with other savings.

There are other significant considerations on the horizon that will be addressed in our 2nd quarter (mid-year) review. Notable items are as follows:

- * Expenditures for lawsuits are trending above plan in some Divisions . Before a mid-year correction is requested administration is reviewing all Divisions legal budgets that may offset the Divisions trending above budget.
- * Expenditures for the relocation of the Union Avenue Precient, Strategic Planning, and Blight Mitigation are trending above budget.
- * MLGW will begin charging the City for water service on January 1st.
- * Transfers Out (an expenditure item) will potentially increase as we allocate funds to begin use of the "Red Light Camera" proceeds.

See page 10 for expenditure forecast details.

(Divisional expenditures are shown in the appendix on page 13.)



**Forecast
Quarter 1
2013 Functional Category Summary of Operations
BUDGET VS FORECAST**

Revenue	FY2013		Variance	%
	FY2013 FUNDING BUDGET	FUNDING BUDGET FORECAST		
Local Taxes	\$428,792,259	\$ 421,292,259	\$ (7,500,000)	-1.75%
State Taxes	\$55,989,645	\$ 55,989,645	\$ -	0.00%
License and Permits	\$10,593,551	\$ 10,593,551	\$ -	0.00%
Fines and Forfeitures	\$15,180,100	\$ 16,481,100	\$ 1,301,000	8.57%
Charges for services	\$31,811,677	\$ 32,811,677	\$ 1,000,000	3.14%
Use of Money	\$467,151	\$ 475,000	\$ 7,849	1.68%
Federal Grants	\$117,197	\$ 117,197	\$ -	0.00%
State Grants	\$1,648,231	\$ 1,648,231	\$ -	0.00%
Intergovernmental Revenues	\$4,130,060	\$ 4,130,060	\$ -	0.00%
Other Revenues	\$6,904,614	\$ 10,304,614	\$ 3,400,000	49.24%
Transfers	\$76,436,562	\$ 75,405,562	\$ (1,031,000)	-1.35%
Total Revenues	\$632,071,047	\$629,248,896	(\$2,822,151)	-0.45%
Supporting detail of page 7				

Expenditures	FY2013		Variance	%
	FY2013 FUNDING BUDGET	FUNDING BUDGET FORECAST		
Personnel Services	\$425,231,583	\$425,231,583	\$0	0.00%
Material and Supplies	\$122,265,259	\$123,465,259	(\$1,200,000)	-0.97%
Capital Outlay	\$92,813	\$92,813	\$0	0.00%
Grants and Subsidies	\$52,043,670	\$54,443,670	(\$2,400,000)	-4.41%
Inventory	\$234,239	\$234,239	\$0	0.00%
Transfers Out	\$63,337,710	\$63,337,710	\$0	0.00%
Investment Fees	\$0	\$0	\$0	0.00%
Project Cost	\$20,235	\$20,235	\$0	0.00%
Others	\$0	\$0	\$0	0.00%
Total Expenditures	\$663,225,509	\$666,825,509	(\$3,600,000)	-0.54%
Less Reserve for Encumbrances	\$11,474,100	\$ 11,474,100	\$ -	0.00%
Total Expenditures less Encumbrances	\$651,751,409	\$ 655,351,409	(\$3,600,000)	-0.55%
Change in Net Assets	(\$19,680,362)	(\$26,102,513)	(\$6,422,151)	
Supporting detail of page 9. See Appendix (page13) for divisional expenditure breakout.				

APPENDICES

**Comparative Summary
of
Quarter 1 Actual Divisional Expenditures
FY 2013 vs FY 2012**

Expenditures	FY2013 Actual Qtr Ending 09/30/12	FY2012 Actual Qtr Ending 09/30/2011	Variance	%
City Attorney	\$4,578,230	\$2,455,033	\$2,123,197	86.48%
City Council	\$335,859	\$407,336	(\$71,477)	-17.55%
City Court Clerk	\$875,515	\$1,079,013	(\$203,498)	-18.86%
City Court Judges	\$130,829	\$158,609	(\$27,780)	-17.52%
City Engineer	\$1,863,271	\$2,282,183	(\$418,912)	-18.36%
Community Enhancement *	\$26,489	\$2,101,992	(\$2,075,503)	-98.74%
Executive	\$1,141,443	\$1,524,098	(\$382,655)	-25.11%
Finance & Administration	\$1,017,030	\$1,227,018	(\$209,988)	-17.11%
Fire	\$32,420,644	\$38,905,633	(\$6,484,989)	-16.67%
General Services	\$4,321,021	\$2,746,607	\$1,574,414	57.32%
Grants & Subsidies	\$57,764,520	\$21,143,079	\$36,621,441	173.21%
<i>Other G & A</i>	\$7,981,834	\$8,693,079	(\$711,245)	-8.18%
MATA	\$14,000,000	\$12,450,000	\$1,550,000	12.45%
<i>Memphis City Schools</i>	\$35,782,686	\$0	\$35,782,686	100.00%
Housing & Community Development	\$2,323,414	\$3,277,925	(\$954,511)	-29.12%
Human Resources	\$1,513,256	\$1,405,022	\$108,234	7.70%
Information Systems	\$1,794,875	\$2,385,351	(\$590,476)	-24.75%
Park Services	\$8,932,201	\$6,947,098	\$1,985,103	28.57%
Police	\$54,108,023	\$57,990,641	(\$3,882,618)	-6.70%
Public Services *	\$175,706	\$5,177,328	(\$5,001,622)	-96.61%
Public Works	\$109,509	(\$1,290,903)	\$1,400,412	-108.48%
Unalloc- Investment fees/Personnel	\$28,543	\$22,309	\$6,234	0.00%
Total Expenditures	\$173,460,379	\$149,945,372	\$23,515,007	15.68%

* Division eliminated in Structural Change.

**Forecast
Quarter 1
2013 Division Expenditures Summary of Operations
BUDGET VS FORECAST**

Expenditures	FY2013 FUNDING BUDGET	FY2013 FUNDING BUDGET FORECAST	Variance	%
City Attorney	\$ 11,033,915	\$ 11,033,915	\$ -	0.00%
City Council	\$ 1,582,996	\$ 1,582,996	\$ -	0.00%
City Court Clerk	\$ 4,897,727	\$ 4,897,727	\$ -	0.00%
City Court Judges	\$ 600,737	\$ 600,737	\$ -	0.00%
City Engineer	\$ 8,581,663	\$ 8,581,663	\$ -	0.00%
Community Enhancement	\$ 10,336	\$ 10,336	\$ -	0.00%
Executive	\$ 5,797,266	\$ 5,797,266	\$ -	0.00%
Finance & Administration	\$ 5,025,441	\$ 5,025,441	\$ -	0.00%
Fire	\$ 157,285,381	\$ 157,285,381	\$ -	0.00%
General Services	\$ 23,021,841	\$ 23,021,841	\$ -	0.00%
Grants & Subsidies	\$ 105,340,025	\$ 107,740,025	\$ (2,400,000)	-2.28%
Other G & A	26,502,297	28,902,297	(2,400,000)	-9.06%
MATA	19,615,398	19,615,398	\$ -	0.00%
Memphis City Schools	59,222,330	59,222,330	\$ -	0.00%
Housing & Community Developme	\$ 4,979,886	\$ 4,979,886	\$ -	0.00%
Human Resources	\$ 8,958,665	\$ 10,158,665	\$ (1,200,000)	-13.39%
Information Systems	\$ 16,171,513	\$ 16,171,513	\$ -	0.00%
Park Services	\$ 44,016,094	\$ 44,016,094	\$ -	0.00%
Police	\$ 239,513,369	\$ 239,513,369	\$ -	0.00%
Public Services	\$ 116,695	\$ 116,695	\$ -	0.00%
Public Works	\$ 26,291,960	\$ 26,291,960	\$ -	0.00%
Total Expenditures	\$663,225,510	\$ 666,825,510	\$ (3,600,000)	
Less Reserve for Encumbrances	\$11,474,100	\$ 11,474,100	\$ -	
Total Expenditures less Encumbrances	\$651,751,410	\$ 655,351,410	\$ (3,600,000)	

FY 2013

Debt Discussion

Statement of Debt as of September 30, 2012
(Unaudited)

Outstanding Obligations

General Obligation Debt	
General Obligation Bonds	\$1,158,085,000
Bond Anticipation Notes	71,975,000
Commercial Paper Bond Anticipation Notes	20,000,000
Appropriation Obligation Debt	
Memphis Shelby County Port Commission Bonds	20,115,000
Memphis Center City Revenue Finance Corp. (Pyramid and Pinch District Redevelopment Project) ¹	196,935,000
Lease Agreements	<u>8,701,170</u>
Total Direct Debt Outstanding	\$1,475,811,170
Less Self Supporting Debt	<u>(196,935,000)</u>
Net Direct Debt Outstanding	\$1,278,876,170
Sanitary Sewerage System Debt	
Sanitary Sewerage System Revenue Bonds	\$ 144,255,000
State Revolving Fund Loan	<u>3,988,541</u>
Total Sanitary Sewerage System Debt	\$ 148,243,541
Contingent Obligations	
The Memphis and Shelby County Sports Authority Bonds ²	\$ 101,805,000

¹ The bonds are primarily secured by the revenues, allocated from the State to the City, resulting from sales tax growth within the Memphis Cook Convention Center Tourism Development Zone.

² The City and Shelby County are obligated to replenish draws on the debt service reserve fund relating to certain senior lien bonds issued by The Memphis and Shelby County Sports Authority, Inc. Such obligation is apportioned on the following basis: 50% from the County and 50% from the City, but it is not a joint obligation. The amount of senior lien bonds outstanding as of the date hereof is \$203,610,000.