



April 23, 2013

# City of Memphis

## FY 2014 Budget Overview

Presented by Dir. of Finance, Brian Collins



## FY2014 Budget Overview Agenda

- Budget Planning Assumptions Pgs. 2 - 3
- FY 2014 *PROPOSED* Budget Pgs. 4 - 7
- Tax Rate Pgs. 8 - 12
- Issues on the Horizon Pgs. 13 - 15



# Budget Planning Assumptions



## Bridge Year to the Strategic Plan

- Continuation Budget
- Tax Rate will remain budget neutral
- No planned use of Fund Balance
- Tax rate assigned to cover debt
- Salary restoration of 2.3% to be effective Jan 1, 2014



## FY 2014 PROPOSED BUDGET



## Change in Hard Dollar Expenses 2013 to 2014 Budget

(in Millions)

	2013	2014	Change
Base Budget	\$ 648.5	\$ 622.5	\$ (26.0)
Budget w/o Retiree Health Premium	641.5	593.5	(48.0)
Funded Retiree Health Expense	7.0	29.0	22.0
Unfunded Retiree Health Expense*	20.0	-	(20.0)
<b>Total Expenses</b>	<b>668.5</b>	<b>622.5</b>	<b>(46.0)</b>
MCS Expenses	53.0	-	(53.0)
<b>Difference</b>	<b>\$ 615.5</b>	<b>\$ 622.5</b>	<b>\$ 7.0</b>

\* In FY 2013 this \$20 million in cash was transferred from the OPEB Trust Fund Bank Account to the OPEB Health Care Fund.

\*\* Major Factors In Difference

Incremental Growth in OPEB	2.0
2.3% Salary Increase in January 2014	3.0
Net of All Other (Includes Blight Mitigation)	2.0
<b>Total "Difference" Reconciliation</b>	<b>\$ 7.0</b>

**No** property tax revenue increase needed to Fund \$622.5



## Another Way to Look at Change 2013 to 2014 Budget (in Millions)

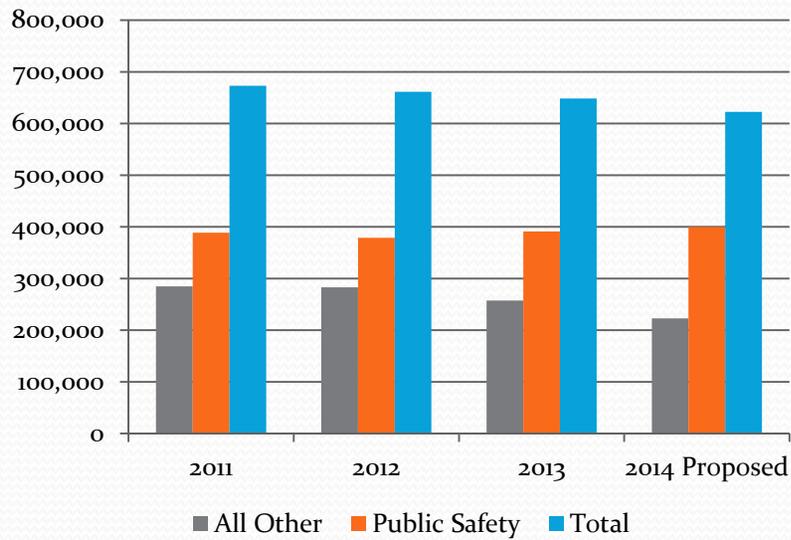
	<b>Base</b>
Base Budget	<b>\$ 648.5</b>
Memphis City Schools	<b>(53.0)</b>
Sub Total	<b>595.5</b>
Add Unfunded Retiree Health Expense	<b>20.0</b>
	<b>615.5</b>
2014 Priorities	<b>7.0</b>
<b>Total</b>	<b>\$ 622.5</b>
2014 Budget Realities/Priorities	
Incremental Growth in OPEB	2.0
2.3% Salary Increase in January 2014	3.0
Net of All Other (Includes Blight Mitigation)	2.0
<b>Total "Difference" Reconciliation</b>	<b>\$ 7.0</b>

**No** property tax revenue increase needed to Fund \$622.5



# City of Memphis Budget Trend

FY 2011- FY 2014 Proposed



In (000's)

Year	All Other		Public Safety		Total	
2011	284,688		388,478		673,166	
2012	282,779	-1%	378,687	-3%	661,465	-2%
2013	257,334	-9%	391,145	3%	648,479	-2%
2014 Proposed	222,712	-13%	399,825	2%	622,537	-4%
Cumulative Chg '11 - '14 Proposed	-61,976	-21.8%	11,347	2.9%	-50,629	-7.5%

\* Data extracted from City of Memphis CAFR



# TAX RATE



## HOW PROPERTY EQUALIZATION WORKS- PG 1 OF 3

Year

Property Value

Tax Rate

Cost to Run Government

1

(Base Year)

2

3

6



## HOW PROPERTY EQUALIZATION WORKS- PG 2 OF 3

<u>Year</u>	<u>Property Value</u>	<u>Tax Rate</u>	<u>Cost to Run Government</u>
1 (Base Year)	2	3	6
2 (A year where property values increased)	3	2	6

Multiplier/Tax Rate

Year 2 - The multiplier or tax rate will go down if property values go up.

**NO** additional revenue will be gained from change in the multiplier.



## HOW PROPERTY EQUALIZATION WORKS- PG 3 OF 3

<u>Year</u>	<u>Property Value</u>	<u>Tax Rate</u>	<u>Cost to Run Government</u>
1 (Base Year)	2	3	6
2 (A year where property values increased)	3	2	6
3 (A year where property values decreased)	2	3	6

Multiplier/Tax Rate

Year 3 - The multiplier or tax rate will go up if property values go down.

**NO** additional revenue will be gained from change in the multiplier.



## Implications of Declining Property Values

FY 2013 Property Value



\$100,000

Tax Rate

3.11

Revenue

\$778.00

FY 2014 Property Value



\$ 91,799

Tax Rate

3.39

Revenue

\$778.00

With Declining Values:

**NO** Impact to Citizens on average

**NO** Impact Increase or Decrease to City of Memphis Revenue



## Issues on the Horizon



## Issues on the Horizon

- Debt – Debt restructuring decisions have created debt service increases into the foreseeable future.
- Pension – \$640.0 Million in unfunded liability
- OPEB – \$1.3 Billion in unfunded liability



## Memphis Investment At or Near Bottom

### Regional Comparison

5	Louisville	KY
16	Charlotte	NC
21	Atlanta	GA
23	Jackson	MS
24	Birmingham	AL
25	Indianapolis	IN
30	Little Rock	AR
<b>48</b>	<b>Memphis</b>	<b>TN</b>

### National Comparison

1	Bridgeport	CT
2	Philadelphia	PA
3	Columbus	OH
4	Newark	NJ
5	Louisville	KY
47	Houston	TX
<b>48</b>	<b>Memphis</b>	<b>TN</b>
49	Jacksonville	FL
50	Anchorage	AK
51	Cheyenne	WY