

■ operating budget

Sources of Revenue	FY 2011 Actual	FY 2012 Adopted	FY 2012 Forecast	FY 2013 Adopted
Contributed from Fund Balance	0	0	0	19,571,990
Local Taxes	433,509,967	455,795,557	448,836,656	425,357,522
State Taxes	55,844,820	55,003,505	54,501,000	53,845,114
Licenses and Permits	10,416,919	9,775,288	10,063,088	10,035,658
Fines and Forfeitures	10,462,876	18,500,000	10,330,000	13,161,600
Charges for Services	1,188,546	1,017,400	1,811,071	1,712,400
Use of Money and Property	437,372	673,151	310,000	467,151
Federal Grants	94,736	0	0	0
Other Revenues	4,768,726	3,860,911	3,602,200	3,241,911
Transfers In	105,375,816	98,486,897	101,310,897	76,305,897
Total Unallocated Revenues	622,099,778	643,112,709	630,764,912	603,699,243
Division Revenues	44,628,019	45,470,887	42,780,551	44,779,343
Total Revenue\Others Sources	666,727,797	688,583,596	673,545,463	648,478,586

■ issues & trends

The unallocated Operating Revenue Budget (excluding the contribution from fund balance) for FY 2013 totals \$584,127,253. This represents a decline of \$46.6 million or a 7.4% reduction from the FY 2012 forecast.

Our largest revenue source, local taxes, is projected to decline by \$ 23.5 million or 5.2% from the FY 2012 forecast. This decrease is a result of a .18 cent reduction in the tax rate apportioned for the general operations of City government. Our second largest revenue source, state taxes, is projected to decrease from the FY 2012 forecast by 1.2% or \$655k. This decrease is largely due to expectations that state sales taxes will trend downward slightly.

In one of the smaller revenue categories, fines and forfeitures, we expect an increase of 27% based on a fee increase implemented for court fees and court costs. The remaining revenue categories of licenses and permits, charges for services, use of money and other revenue, all noted above, are essentially planned at the forecasted levels. A detailed listing of all revenues within the respective categories is presented on the following pages.

GENERAL FUND

GENERAL FUND REVENUES

Sources of Revenue	FY 2011 Actual	FY 2012 Adopted	FY 2012 Forecast	FY 2013 Adopted
Contributed from Fund Balance				
Contributed From Fund Balance	0	0	0	19,571,990
Total Contributed from Fund Balance	0	0	0	19,571,990
Local Taxes				
Beer Sales Tax	15,069,348	15,100,000	15,300,000	16,200,000
MLGW/Williams Pipeline	315,874	315,870	315,870	315,870
Bankruptcy Interest & Penalty	166,787	170,000	160,000	161,600
Ad Valorem Tax - Current One Time Assessment	0	20,000,000	20,106,000	0
Ad Valorem Tax Prior	8,419,107	780,000	5,000,000	5,050,000
Alcoholic Beverage Inspection Fee	4,321,524	4,100,000	4,300,000	4,200,000
Warrants and Levies	238	200	131	300
Franchise Tax - Telephone	226,150	0	0	0
Cable TV Franchise Fees	4,156,428	4,400,000	4,200,000	4,444,000
Misc Franchise Tax	942,954	650,000	700,000	700,000
Misc Tax Recoveries	2,617,202	2,300,000	2,300,000	2,300,000
Business Tax Fees	1,009,654	900,000	950,000	959,500
Ad Valorem Tax Prior - Sale	6,567,308	0	15,748,000	13,000,000
Bank Excise Tax	144,315	792,987	140,000	155,000
PILOT's	4,910,902	5,220,500	4,600,000	4,646,000
Local Sales Tax	104,009,728	99,000,000	99,000,000	100,495,000
Gross Rec Business Tax	9,584,707	12,000,000	10,000,000	10,100,000
Interest, Penalties & Commission	293,023	230,000	230,000	230,230
Interest & Penalty - Sale of Tax Rec	2,242,321	0	1,336,655	1,350,022
Ad Valorem Tax - Current	250,696,724	278,106,000	250,000,000	246,430,000
Property Taxes Interest & Penalty	7,086,080	1,200,000	4,000,000	4,040,000
State Appointment TVA	7,953,145	7,800,000	7,600,000	7,676,000
Special Assessment Tax	158,129	130,000	150,000	150,000
Mixed Drink Tax	2,618,319	2,600,000	2,700,000	2,754,000
Total Local Taxes	433,509,967	455,795,557	448,836,656	425,357,522
State Taxes				
State Shared Beer Tax	359,551	340,000	340,000	340,000
Spec Petroleum Product Tax	1,466,638	1,479,600	1,341,000	1,479,600
Telecommunication Sales Tax	49,165	50,000	40,000	50,000
State Income Tax	7,900,628	6,000,000	7,500,000	7,650,000
Alcoholic Beverage Tax	287,794	270,504	280,000	275,914
State Professional Privilege Tax - Athletes	318,269	0	0	0
State Sales Tax	45,462,775	46,863,401	45,000,000	44,049,600
Total State Taxes	55,844,820	55,003,505	54,501,000	53,845,114



GENERAL FUND

GENERAL FUND REVENUES

Sources of Revenue	FY 2011 Actual	FY 2012 Adopted	FY 2012 Forecast	FY 2013 Adopted
Licenses and Permits				
Beer Permit Privilege Tax	141,052	140,000	140,000	140,000
Wrecker Permit Fee	9,631	9,088	9,088	9,088
Gaminy Pub Amus Perm Fee	16,531	13,000	13,000	13,000
Beer Application	72,531	65,000	65,000	57,570
Taxi Drivers License	15,969	28,200	16,000	17,000
Liquor By Ounce License	206,063	250,000	250,000	210,000
Misc Permits	67,061	70,000	70,000	70,000
Auto Registration Fee	9,888,081	9,200,000	9,500,000	9,519,000
Total Licenses and Permits	10,416,919	9,775,288	10,063,088	10,035,658
Fines and Forfeitures				
Fines & Forfeitures	98,114	100,000	100,000	100,000
Arrest Fees	276,885	260,000	260,000	262,600
Court Fees	5,460,427	8,900,000	5,000,000	6,650,000
Court Costs	4,550,169	9,140,000	4,900,000	6,049,000
Beer Board Fines	77,281	100,000	70,000	100,000
Total Fines and Forfeitures	10,462,876	18,500,000	10,330,000	13,161,600
Charges for Services				
Parking Meters	94	0	795,000	795,000
MLG&W Rent	2,556	2,400	1,071	2,400
Parking Lots	315,000	315,000	315,000	315,000
Tax Sales Attorney Fees	870,896	700,000	700,000	600,000
Total Charges for Services	1,188,546	1,017,400	1,811,071	1,712,400
Use of Money and Property				
Net Income/Investors	144,112	300,000	110,000	100,000
Interest on Investments	135,329	300,000	100,000	294,000
State Litigation Tax Commission	157,931	73,151	100,000	73,151
Total Use of Money and Property	437,372	673,151	310,000	467,151
Federal Grants				
Federal Grants - Others	94,736	0	0	0
Total Federal Grants	94,736	0	0	0
Other Revenues				
Commercial Revitalization Fee	0	50,000	50,000	50,000
Property Insurance Recoveries	0	0	9,282	0
Sale Of Capital Assets	0	25,000	25,000	25,000
Recovery Of Prior Year Expense	106,279	155,000	173,500	155,000
Insurance Refund	596,446	0	0	0



GENERAL FUND

GENERAL FUND REVENUES

Sources of Revenue	FY 2011 Actual	FY 2012 Adopted	FY 2012 Forecast	FY 2013 Adopted
Sewer Fund Cost Allocation	1,075,000	1,075,000	1,075,000	1,075,000
Cash Overage/Shortage	8,076	0	4,000	0
City Property Damage Reim	112,849	100,000	110,000	100,000
Miscellaneous Revenue	0	619,000	39,000	0
Local Other Revenue	224,597	0	0	0
Miscellaneous Income	58,621	36,911	36,900	36,911
Court Reimbursement	63	0	428	0
Local Shared Revenue	6,933	0	79,090	0
Miscellaneous Auctions	2,579,862	1,800,000	2,000,000	1,800,000
Total Other Revenues	4,768,726	3,860,911	3,602,200	3,241,911
Transfers In				
In Lieu Of Taxes-MLGW	54,047,786	54,470,000	55,105,000	54,700,000
Tfr In - Elvis Presley	82,054	0	0	0
Tfr In - Beale Street	3,605	0	0	0
Tfr In - State Street Aid	0	16,811,000	16,000,000	15,400,000
In Lieu Of Taxes-Sewer	4,669,372	3,874,897	3,874,897	3,874,897
Tfr In - Solid Waste Fund	0	2,031,000	2,031,000	1,031,000
Tfr In - Mallory-Neely	63,018	0	0	0
Tfr In - Sewer Operating/CIP	1,300,000	1,300,000	1,300,000	1,300,000
Tfr In - Tax Sales Fund	209,661	0	0	0
Tfr In - Debt Service Fund	45,000,000	20,000,000	23,000,000	0
Tfr In - Youth Opportunity Fund	320	0	0	0
Total Transfers In	105,375,816	98,486,897	101,310,897	76,305,897
Total Division Revenues	44,628,019	45,470,887	42,780,551	44,779,343
Total Revenues\Transfers	666,727,797	688,583,596	673,545,463	648,478,586



Revenue Forecasting Methodology

The University of Memphis forecasters independently prepare quarterly reports of 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 quarterly 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 autoregressive, 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 autoregressive, integrated, moving average (ARIMA) modeling and regression analysis. Although some series are estimated with single equation models, others have simultaneous equation models.

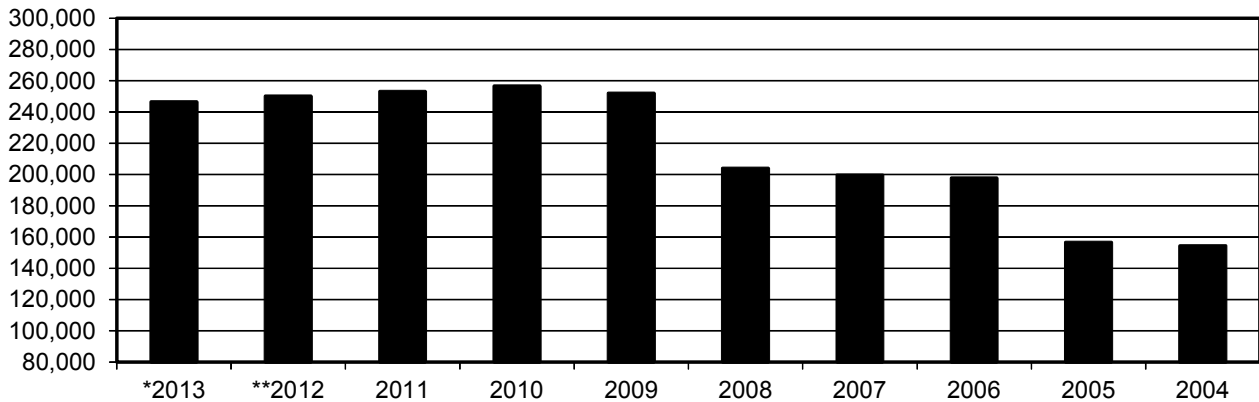
Stochastic simulations of the short- and long-term models generate empirical estimates of the probability distributions for the revenue sources. These distributions are reported both for the current fiscal year and the next fiscal year. These simulation results are used to report the high/low ranges 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
2013	246,430	-1.43%	2008	203,937	2.19%
2012	250,000	-1.22%	2007	199,564	0.92%
2011	253,100	-1.36%	2006	197,740	26.26%
2010	256,602	1.81%	2005	156,617	1.55%
2009	252,036	23.59%	2004	154,221	1.51%

(In Thousands)



* FY 2013 Adpoted
 ** FY 2012 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.

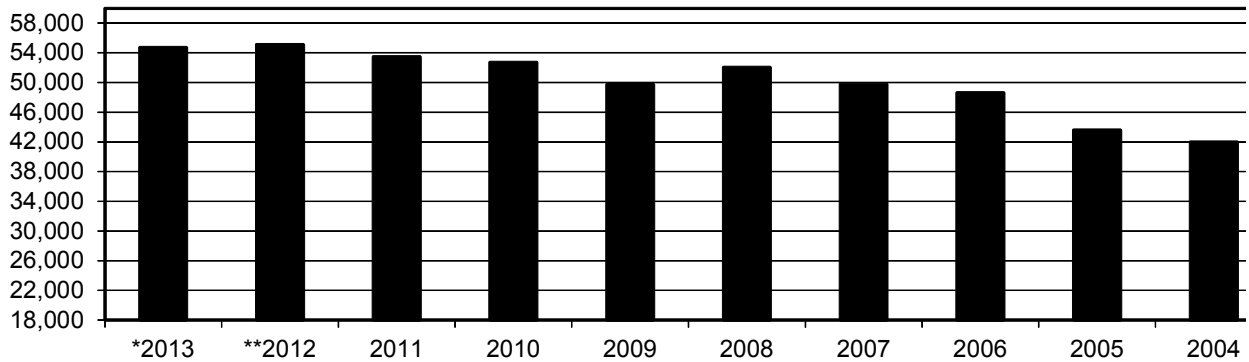
Tax bills originate from, and collections are made by, the City Treasurer's Office, based on the tax rate set by the City Council and applied to the assessment rolls provided by the County Assessor and the TRA. Taxes are due and payable when the tax bills are mailed, normally July 1, and become delinquent 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.

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

In lieu of Tax - MLGW

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2013	54,700	-0.73%	2008	52,036	4.58%
2012	55,105	3.06%	2007	49,759	2.36%
2011	53,469	1.46%	2006	48,610	11.49%
2010	52,698	5.95%	2005	43,599	-2.24%
2009	49,737	-4.42%	2004	41,987	1.07%

(In Thousands)



* FY 2013 Adopted
 ** FY 2012 Forecast

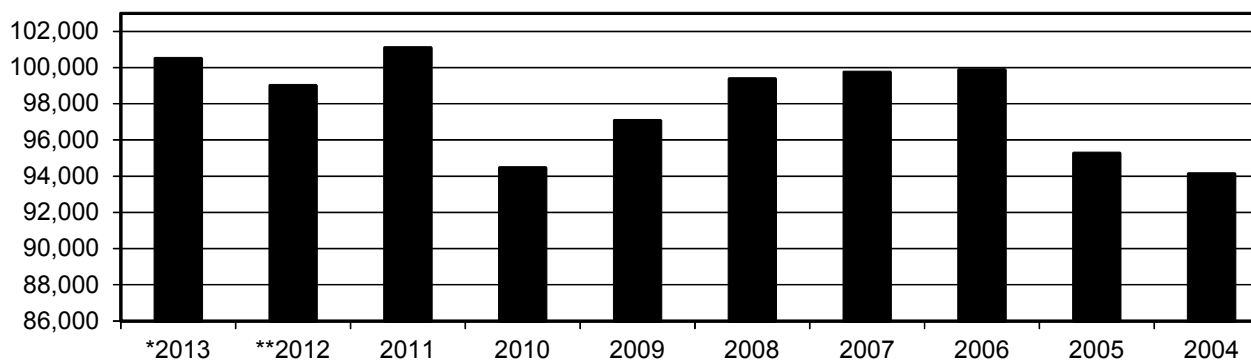
The Memphis Light Gas and Water Division makes in-lieu-of-property tax equivalent payments as provided by the Municipal Electric System Tax Equivalent Law and the Municipal Gas System Tax Equivalent Law, both of which provide a uniform formula for establishing such payments. This payment is shared with 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

Local Sales Tax

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2013	100,495	1.51%	2008	99,371	-0.36%
2012	99,000	-2.08%	2007	99,733	-0.14%
2011	101,100	7.03%	2006	99,875	4.84%
2010	94,462	-2.68%	2005	95,260	7.35%
2009	97,065	-2.32%	2004	94,123	2.05%

(In Thousands)



* FY 2013 Adopted
 ** FY 2012 Forecast

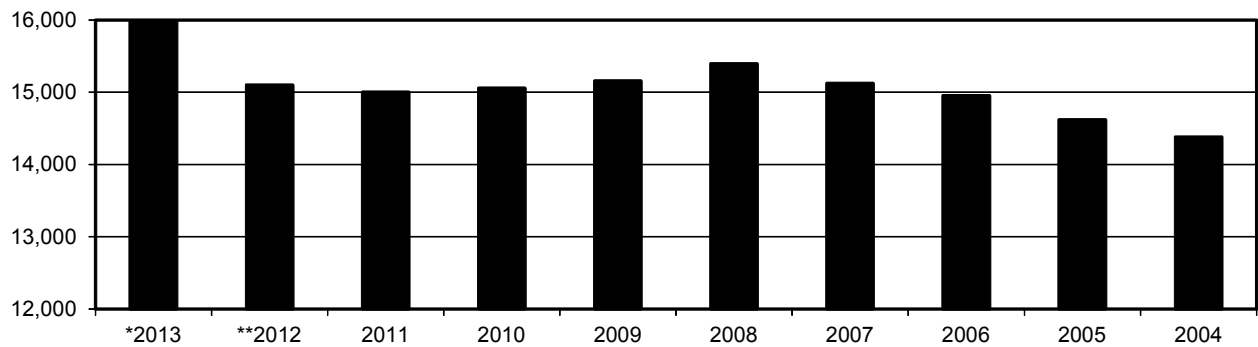
This is the second largest revenue source for the City. It is charged on the gross proceeds derived from the retail sales or use of tangible personal property and certain specific services. It is computed at 2.25% of the amount of each transaction. One half of the proceeds go to education. The last increase 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
2013	16,200	5.96%	2008	15,392	1.77%
2012	15,300	2.00%	2007	15,125	1.14%
2011	15,000	-0.38%	2006	14,954	2.28%
2010	15,057	-0.66%	2005	14,620	1.65%
2009	15,157	-1.53%	2004	14,382	2.10%

(In Thousands)



* FY 2013 Adopted
 ** FY 2012 Forecast

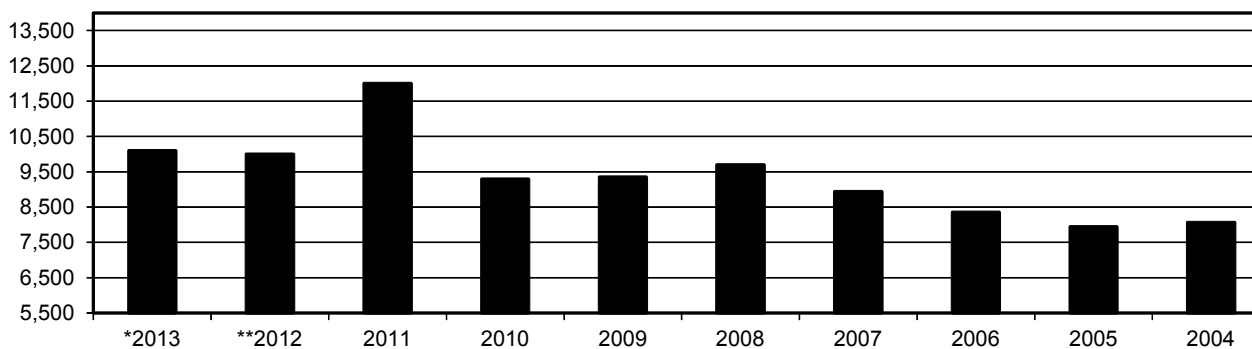
This is a 17% levy on the sale of beer at wholesale. It is collected by the wholesaler from the retailer and other persons within the corporate limits of the municipality at the time of sale. Fees are remitted to the City by the wholesaler on a monthly basis. T.C.A. 57-5-103.

Major Influences: Wholesalers price and Consumption Rates

Gross Receipts Business Tax

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2013	10,100	1.00%	2008	9,692	8.47%
2012	10,000	-16.67%	2007	8,935	6.98%
2011	12,000	29.14%	2006	8,352	5.15%
2010	9,292	-0.58%	2005	7,943	9.88%
2009	9,346	-3.57%	2004	8,063	9.21%

(In Thousands)



* FY 2013 Adopted

** FY 2012 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.

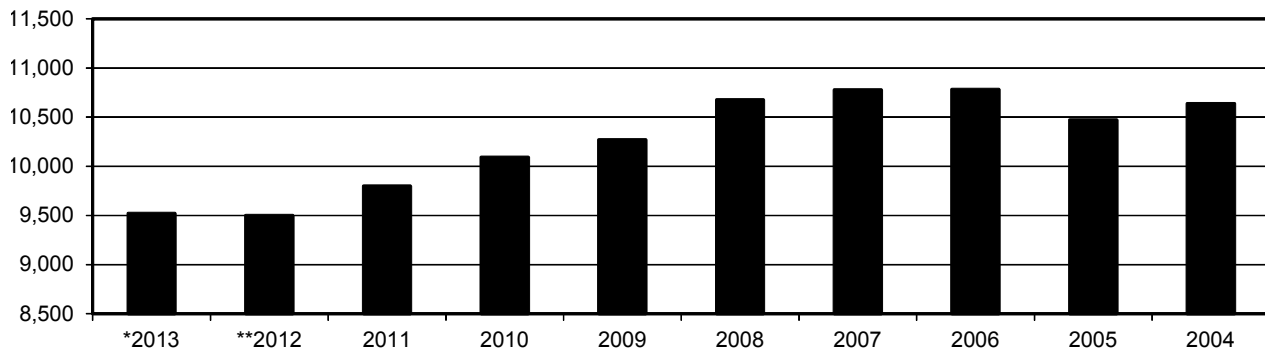
Business activities are divided into five classifications, with each classification having different tax rates and taxable periods. Remittances from department stores, auto dealers, restaurants and drug stores, representing almost one-half of total receipts, are collected in the last two months of the 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, Coconsumer Price Index and Gross Receipts

Auto/Vehicle Registration-Inspection Fee

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2013	9,519	0.20%	2008	10,677	-0.92%
2012	9,500	-3.06%	2007	10,776	-0.05%
2011	9,800	-2.90%	2006	10,781	2.95%
2010	10,093	-1.73%	2005	10,472	-1.55%
2009	10,271	-3.80%	2004	10,637	3.15%

(In Thousands)



- * FY 2013 Adopted
- ** FY 2012 Forecast

All residents of the City who own/operate a motor vehicle or motorcycle for business or pleasure must register the vehicle with the City’s registration agent and pay an annual registration/inspection fee as follows:

Motorcycle	\$10.00 (private) \$21.00 (commerical)
Passenger motor vehicle	\$30.00
Dealers, manufacturers, transporters	\$21.00 to \$325.00
Freight vehicles, depending on weight	\$114.00 to \$452.00
Combined farm and private truck	\$30.00 to \$376.00

The inspection fee and registration fee were combined and transferred to the County Clerk in FY 1982. The Court Clerk remits collections to the City after deducting a collection fee.

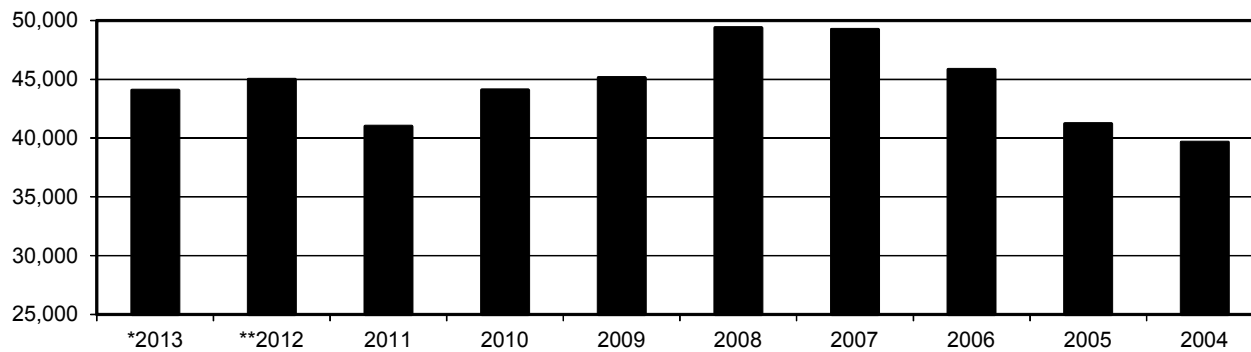
Vehicles must pass an emissions and visual safety inspection test before being issued a city registration. Registration/Inspection fees require Ordinance change and Council approval, Section 21-256-307 Memphis Code.

Major Influences: Auto Sales, Vehicles Inspected and Annexations

State Sales Tax

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2013	44,050	-2.11%	2008	49,381	0.28%
2012	45,000	9.76%	2007	49,244	7.49%
2011	41,000	-6.99%	2006	45,814	11.18%
2010	44,082	-2.32%	2005	41,206	3.96%
2009	45,131	-8.61%	2004	39,638	3.73%

(In Thousands)



* FY 2013 Adopted

** FY 2012 Forecast

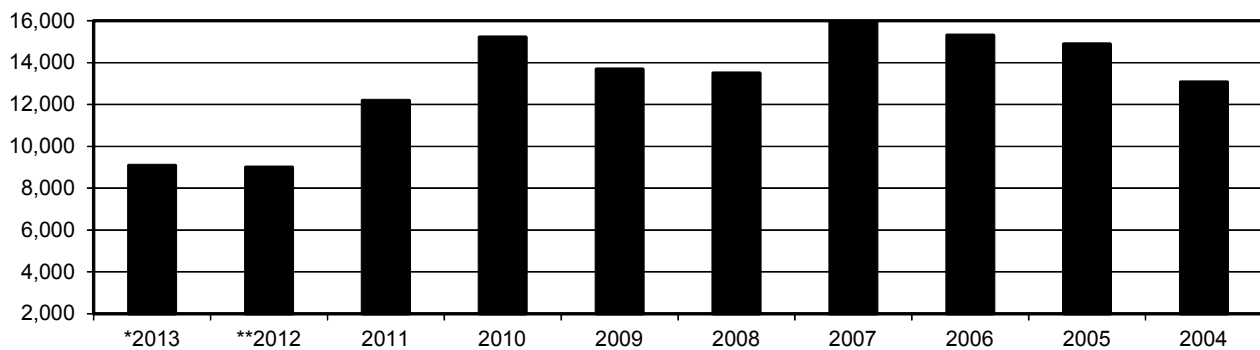
This is the largest state shared revenue the City receives. The current rate is 7.0% and is charged on each transaction described in the Local Sales Tax, 1.0% goes to the State's General Fund. Of the 6.0%, 0.5% goes to education. Municipalities receive approximately 4.5925% of collections on 5.5% of 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
2013	9,090	1.00%	2008	13,493	-17.96%
2012	9,000	-26.23%	2007	16,447	7.42%
2011	12,200	-19.79%	2006	15,311	2.89%
2010	15,211	11.14%	2005	14,881	13.86%
2009	13,686	1.43%	2004	13,069	-38.41%

(In Thousands)



* FY 2013 Adopted
 ** FY 2012 Forecast

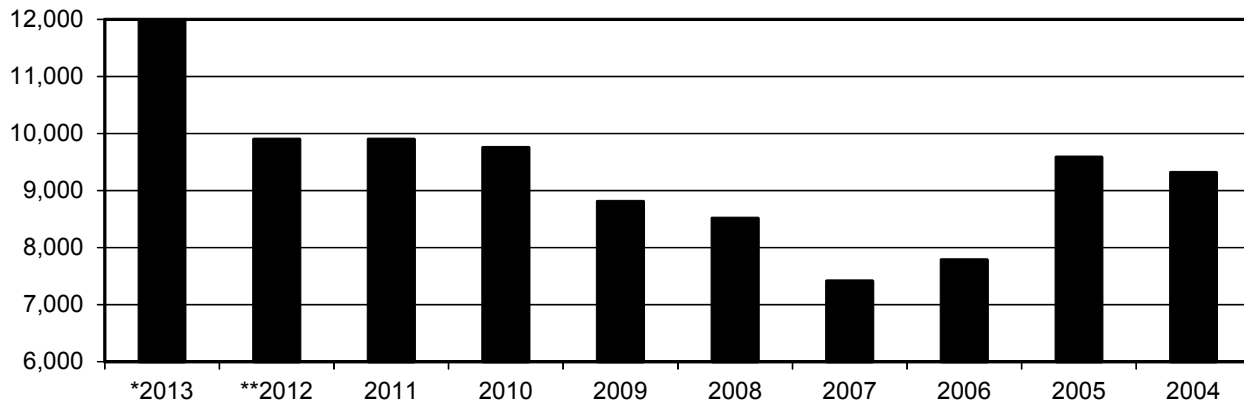
Property taxes that are not paid in the fiscal year in which they are assessed are recorded as delinquent tax receipts when they are paid in subsequent years. Between 95% to 97% of property taxes are paid in the year of assessment and approximately 40% to 50% of delinquent taxes are collected the first fiscal year they become delinquent. Delinquent payments carry an additional penalty and interest. The decline in delinquent property tax revenue for previous years reflects that the City has initiated a sale of its delinquent property taxes to an outside vendor.

Major Influences: Economy and Assessor Appraisal

Court Costs/Fines

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2013	12,699	11.10%	2008	8,517	14.85%
2012	9,900	0.00%	2007	7,416	-4.76%
2011	9,900	1.49%	2006	7,787	-18.74%
2010	9,755	10.70%	2005	9,583	2.88%
2009	8,812	3.46%	2004	9,315	-1.50%

(In Thousands)



* FY 2013 Adopted

** FY 2012 Forecast

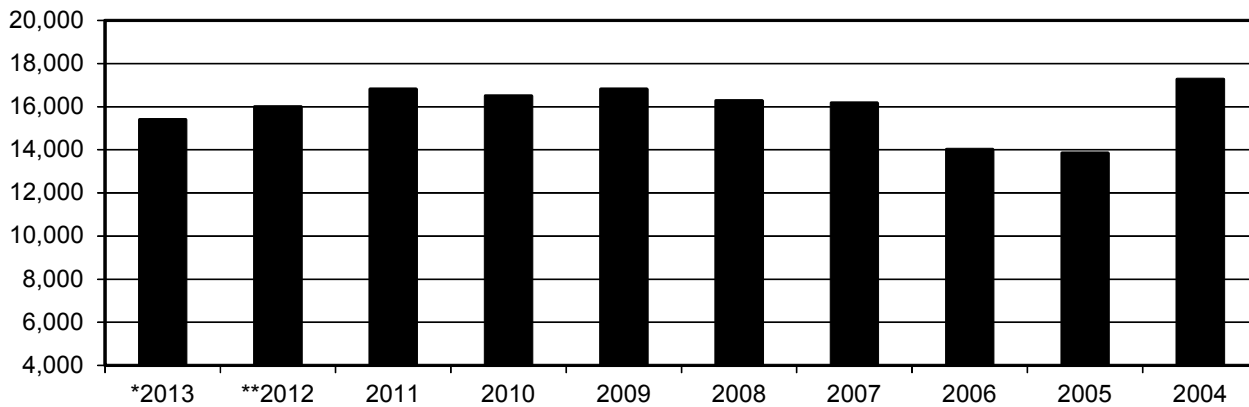
The City Court Clerk collects all City Courts fines, including court costs, fine assessments, and forfeitures in lieu-of-court appearances. Remittances are made to the City monthly. Traffic violation fines and court costs are set by the City Council. A portion of the collections is earmarked to the City Board of Education for driver education sources. Fees require Ordinance change and Council approval, Section 11-24-25 Memphis Code.

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

Municipal State Aid

Year	Amount	% Inc/Dec	Year	Amount	% Inc/Dec
2013	15,400	-3.75%	2008	16,270	0.66%
2012	16,000	-4.82%	2007	16,163	15.29%
2011	16,811	1.88%	2006	14,019	1.28%
2010	16,500	-1.85%	2005	13,842	-19.84%
2009	16,811	3.33%	2004	17,267	-12.68%

(In Thousands)



* FY 2013 Adopted

** FY 2012 Forecast

Approximately 12.7% of the .20 cents per gallon collected from gasoline pursuant to T.C.A. 67-3-201 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. 67-3-202,

Major Influences: Population and Gasoline Sales

