



April 19, 2011

Dear Members of the City Council and Citizens of Memphis,

I am pleased to submit this budget for the City of Memphis for the fiscal year beginning July 1, 2011 and ending June 30, 2012. My proposed operating budget for fiscal year 2012 includes planned spending of \$676.3 million and a Capital Improvement Program (CIP) budget of \$65 million in tax funded capital projects.

These are extraordinarily challenging times for municipal governments across the country. Memphis is no exception. In the last ten years, we have seen our population stagnate and our tax base decline significantly. The economic recession of the past several years triggered a foreclosure crisis that has decimated our inner-city communities and hampered our ability to balance our annual budget while maintaining the services and programs that many Memphians expect.

At the same time, adding more jobs to our economy and putting more Memphians to work is more essential than ever. This will only happen if we improve the quality of our public schools and strengthen our workforce.

As I said when I presented my budget last year, the business model of Memphis City Government is broken and must be fixed. Over the last year and a half, my administration has worked hard to do that. The Strategic Business Model Assessment Committee that I convened gave me a strong set of well-researched, pragmatic recommendations that were squarely focused on stabilizing our fiscal future. The sacrifices and ingenuity of my staff and Division Directors has been extremely commendable. The partnership and support we've received from the non-profit sector, philanthropic foundations, economic development organizations, and the faith community has always been utterly invaluable.

However, the hard work for us all is just beginning. In times like these, when resources are scarce and our usual way of doing business is not an option, we must be innovative, efficient, and more decisive than ever.

To that point, the single biggest factor affecting the city's operating budget will be our continued support of Memphis City Schools. Each year since 2010, the city of Memphis has given our schools more than \$40 million from general operating revenues. Bear in mind that there is no sustainable funding source for these contributions. Over the last two years, we drew from our reserve fund, restructured our debt, and made significant budget cuts and service reductions to fund our schools.

In this year's budget, we plan to make a contribution to Memphis City Schools of \$65 million, which will be achieved through a combination of debt restructuring, new strategies to increase revenue, and continued reductions in the services provided by city government. We have made budget cuts during the last three budget cycles in service of Memphis City Schools. This administration will not shrink from our commitment to public education. Providing a quality education to our children is the last, best hope we have for a prosperous future, and it is one I intend to support to the hilt.

To increase revenue, I am proposing a more effective utilization of our downtown street parking, which I believe can generate \$20 million this year. I am also willing to sell our delinquent property taxes, which could generate an additional infusion of \$20 million.

We will reduce our expenses through strategic furloughs of city employees, reducing the salaries – but not the numbers – of public safety officers, layoffs and elimination of unfilled vacancies, and substantial cutbacks in services.

My proposed budget does not include an increase on your property taxes nor does it propose a further use of our reserves, which could damage our credit rating. Similarly, I will not compromise on public safety. We ended last year with a historic reduction in violent crimes and homicides, and we intend to build on that momentum by keeping officers on the street and data-driven policing at the forefront of our techniques.

Above all, we will continue to invest in our children's education through our continued funding of Memphis City Schools as required by law. Together, we will share in the rewards as we continue to expand and improve our workforce, start and expand more local businesses, and rebuild our local economy.

None of this is to say that the year ahead will be an easier one. This budget contains deep, difficult cuts, particularly with regard to some unavoidable employee layoffs. I promise you that nothing contained in my budget proposal is done to cause unnecessary hardship or to delay the inevitable. This budget contains deliberate, strategic choices that will lay a strong foundation for our children's future. We believe that Memphis' brightest days are still ahead of us, but we can only get



there by pulling together and doing more with less right now.

In my State of the City Address earlier this year, I told you that Memphis is a city on the mend and on the move. That is truer with every passing day. Thousands of new jobs are coming into our city in the next year because of our many great assets and diligent recruitment efforts. It is imperative that we invest strategically in educating our youth, attracting and retaining talented workers, and bringing even more great jobs.

In short, we must choose to continue to make choices that will make our city safer, stronger, smarter, and more prosperous, even as they require difficult choices and great sacrifices.

These are the principles on which I have built our budget. I look forward to your continued partnership and support as we meet the future and continue to make Memphis a city of choice.

Yours in service,

A C Wharton, Jr.



Note: The Mayor's transmittal letter was written at the time that the Proposed Budget was submitted to City Council. This schedule shows the amendments made to the Proposed Budget.			
FY2012 Operating Budget	Proposed Budget	Amendments	Adopted Budget
<i>General Fund Revenues</i>			
Unallocated Revenues	\$ 631,286,709	\$ 11,826,000	\$ 643,112,709
Divisional Revenues	\$ 45,029,887	\$ 441,000	\$ 45,470,887
Total Revenues	\$ 676,316,596	\$ 12,267,000	\$ 688,583,596
<i>General Fund Expenditures</i>			
City Attorney	\$ 13,195,613	\$ (66,215)	\$ 13,129,398
City Council	\$ 1,560,967	\$ (23,252)	\$ 1,537,715
City Court Clerks	\$ 4,360,989	\$ 317,795	\$ 4,678,784
City Judges	\$ 611,336	\$ (1,850)	\$ 609,486
Community Enhancement	\$ 8,913,976	\$ (617,880)	\$ 8,296,096
Engineering	\$ 7,531,197	\$ (258,256)	\$ 7,272,941
Executive	\$ 6,664,246	\$ (1,463,804)	\$ 5,200,442
Finance	\$ 4,950,646	\$ (31,086)	\$ 4,919,560
Fire Services	\$ 153,460,100	\$ (970,523)	\$ 152,489,577
General Services	\$ 15,135,112	\$ (3,831,129)	\$ 11,303,983
Grants & Agencies	\$ 136,435,734	\$ (9,770,290)	\$ 126,665,444
Housing and Community Development	\$ 5,576,398	\$ 248,150	\$ 5,824,548
Human Resources	\$ 6,760,972	\$ 68,724	\$ 6,829,696
Information Services	\$ 17,215,383	\$ (5,921)	\$ 17,209,462
Park Services	\$ 26,528,474	\$ 201,800	\$ 26,730,274
Police Services	\$ 226,149,683	\$ 49,317	\$ 226,199,000
Public Services	\$ 23,034,252	\$ 1,290,403	\$ 24,324,655
Public Works	\$ 18,231,518	\$ (51,811)	\$ 18,179,707
Total Expenditures	\$ 676,316,596	\$ (14,915,828)	\$ 661,400,768
Contribution to Fund Balance	\$ -	\$ 27,182,828	\$ 27,182,828
FY2012 CIP Budget	Proposed Budget	Amendments	Adopted Budget