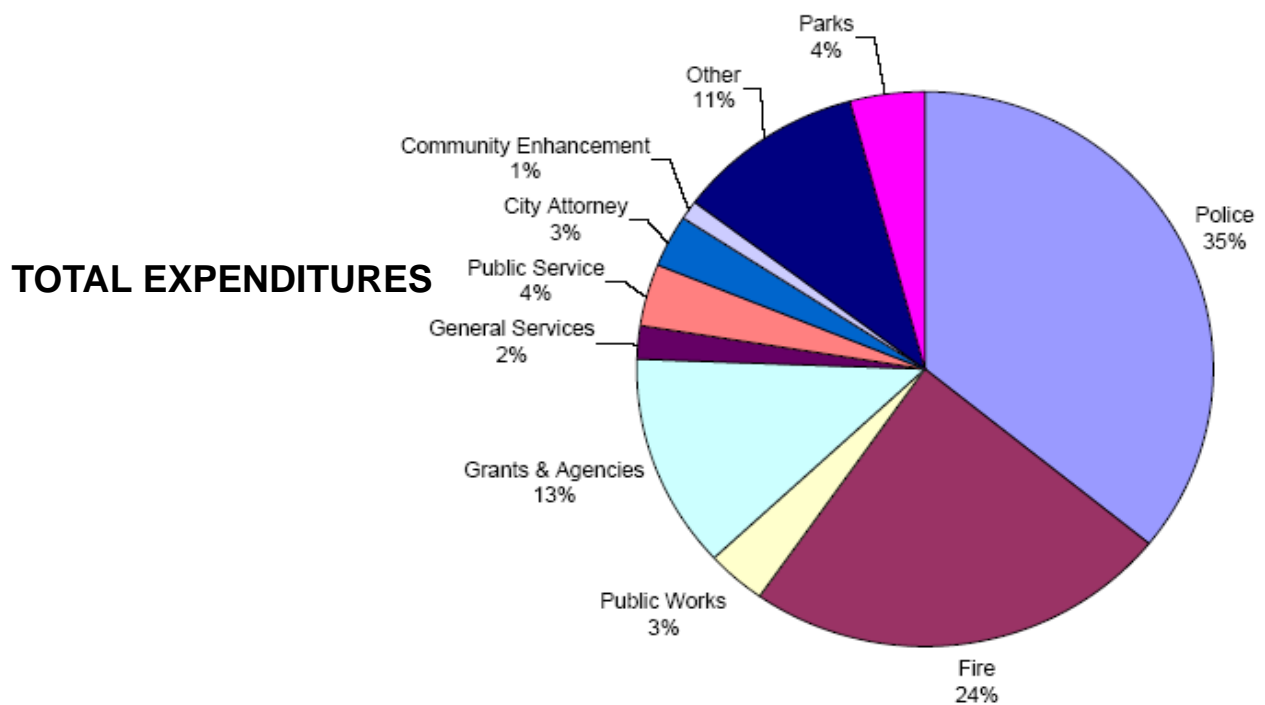
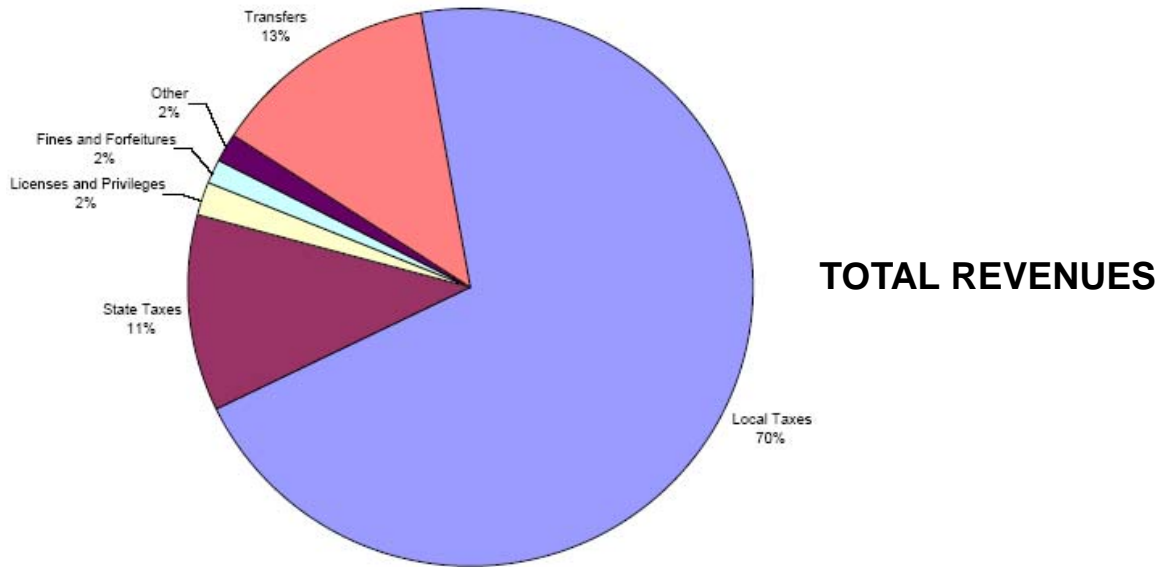


**FY 2009 Operating Budget**



## Budget Overview

The US economy is experiencing some of its most challenging economic times in over twenty years. Rising unemployment, a housing market crisis, record fuel costs and turmoil in the financial and credit markets have contributed to the lowest consumer confidence index numbers since 1982. The aforementioned economic realities impact our State and Local economic conditions. Consequently, these circumstances translate into reduced revenues for our city and others across the US. In the FY 2009 Budget process we have captured the current economic trends and prepared a plan that will continue to provide Memphians with outstanding service in an efficient and cost effective manner.

The FY 2009 Revenue Plan is projected for a 6.0 % increase to execute our service delivery plan. The FY 2009 Operating Budget provides for core services and new initiatives that advance our mission, which states in part, that The City of Memphis will provide responsive and cost effective services. This revenue plan reflects flat revenues in many areas and does not project any transfer in of resources from the Debt Service fund.

Proposed expenses will increase by 6.6% to \$581 million. Expense increases will generally be the result of *structural changes* or *divisional service enhancements* necessary to meet citizen's demands. Structural changes may add a new division or combine existing departments into a division for more effective service delivery. Divisional service enhancements reflect our commitment to public safety, economic development and workforce development.

*Structural changes* to the budget include the establishment of the Division of Community Enhancement with \$6.5 million budgeted to the Division's operations. This Division was created from the reorganization of existing operating units previously reported in the Division of Housing and Community Development and the General Services Division; new costs amount to \$1.7 million.

The *Divisional Budgets* reflect the cost pressures of mandated requirements, national trends including higher energy and fuel costs, and service priorities.

GASB 45 requires the City to value the cost of providing post employment health care benefits (OPEB). In FY 2008, we established an investment trust to pre-fund \$3 million in future OPEB obligations. For FY 2009, \$6 million has been budgeted to pre-fund an incremental \$3 million over FY 2008.

In the wake of economic uncertainty, Deloitte Consulting was engaged to perform an efficiency study to measure the cost effectiveness of certain divisions. The study identified potential savings of \$19 million, or about 3% of the FY 2009 budget. We are evaluating the impact of initiating the cost efficiency recommendations with our Public Service Division and Parks Division where implementation of initial efficiency recommendations will occur, pending final approval. The com-



mitment to cost effective services remains strong and focused. Therefore over the next few months, when our internal evaluation is complete, new cost savings will began.

The largest cost impact across divisions will come from the budgeted employee wage increase of \$17 million or a 5 % increase over FY 2008. Employee salaries have not been increased in three years. Other cost increases that will be reflected in our divisions include:

- Utility and fuel cost - budgeted to increase by \$782,000 and \$2.4 million respectively
- Healthcare cost – budgeted to increase by \$3.0 million
- Living Wage cost- budgeted to increase by \$2.5 million

Strategic priorities for divisions, in addition to the general division increases, are planned in the following divisions:

- Police - This division will add 125 officers at a budgeted cost of \$3.6 million
- Fire - \$471,000 has been budgeted for paramedic training and certification

In conclusion, the service delivery plan discussed above will advance our vision “to be recognized globally as the City of choice to live, learn, work, and recreate.”

