

# Fiscal Year 2009 Budget Address

## *“Investing in a Sustainable Future”*

April 15, 2008

Good afternoon Chairman McCormick, members of the City Council and citizens of Memphis. I am happy to stand before you today to deliver my 17<sup>th</sup> budget address.

Ladies and gentlemen, we live in a global society and I want to welcome those in Memphis and across the world who have joined us on the Internet today at MEMPHIS T - N - DOT GOV, the City’s official website.

I’d also like to express my sincere appreciation to the Memphis City Council for its continued cooperation and support throughout my tenure as mayor.

Memphis has enjoyed phenomenal progress over the years. One reason why is our judicious use of resources. We’ve always worked hard to get the biggest bang for our buck. The budgets I present to you today will reflect this prevailing philosophy.

The great President John F. Kennedy once said: “The best time to repair the roof is when the sun is shining.”

Ladies and gentlemen: Over the years we’ve worked diligently to sow the seeds of success for our city—regardless of the weather or the winds of political change.

Today we enjoy the fruit of the seeds we planted years ago. For example, downtown is a lively heart for our city. Public housing is transformed. The large dilapidated housing complexes for the poor are gone. Beautiful mixed-income communities that bring together residents from different economic strata are here. Small businesses are thriving. Neighborhoods are reborn. Our youth are working, learning about their future civic duties.

We now have professional sports teams *and* Fortune 500 companies proud to call Memphis home. And, the Memphis Tigers are runners up in the NCAA National Championship. They have made us proud. I congratulate John Calipari and his team on a stellar year.

It's a great time to be a Memphian.

Progress is nearly everywhere you look. It simply cannot be denied. We have done great things. And great things are happening. But, there is more to do. Our eye is on the ball and we have a plan of action.

The task before us today is simple. We must continue to deliver stellar services while we invest in a sustainable future for Memphis. Therefore, we must address three major challenges:

- (1) Flat revenues,
- (2) Inflation and
- (3) A pending recession.

We are not alone. From the President of the United States to the person running a household—adjustments are in order.

Jobs are down and prices are up. (Gas prices are way up.) Therefore, consumer spending is down. People are being more judicious with their resources and so are we.

Government is not immune to this economic climate. It costs a lot more for us to do business today than it did a year ago. And, our sluggish national economy is negatively impacting our revenue streams.

Today, I stand before you with proposed budgets in hand—budgets that not only address these challenges, but also contain measures to make our city better.

Therefore, on behalf of the citizens of Memphis, I present proposed budgets of \$595.3 million for General Operations and \$241.3 million for the Capital Improvement Program.

Ladies and gentlemen, we will continue to be successful and here is how we will do it and why.

The great Reverend Dr. Martin Luther King Jr. once said:

*“The ultimate measure of a man is not where he stands in moments of comfort and convenience, but where he stands at times of challenge and controversy.”*

I believe this holds true for governments too.

We face a major challenge in stagnant revenues. In some cases, less money is coming in due to factors beyond our control. Therefore, we must address the factors that are negatively impacting our revenue streams.

One factor is lower interest rates. Another is more conservative consumer spending. And the other is decreasing home values. Why are these factors impacting our revenue streams? Lower interest rates mean decreased investment profits. Conservative consumer spending translates into *less money* collected in the form of sales taxes. Decreasing home values mean *less money* collected in property taxes.

A fifth of our half-billion-dollar general fund operating budget is generated by the local sales tax. Due to this factor and others, we anticipate a \$6 million fall off in revenue growth for Fiscal Year 2009.

When these three major revenue streams are adversely impacted, we must make adjustments.

Ladies and gentlemen, we need to increase the property tax rate. To balance the proposed operating budget I present to you today, we request a 58-CENT tax increase. We are not alone and we are not as bad off as other cities.

The Atlanta Journal Constitution says the City of Atlanta is facing budget cuts of up to 25 percent in most city departments and a property tax increase. In addition, Atlanta faces a \$65 million deficit at the end of this fiscal year on June 30.

Nashville Metro, according to the Tennessean, is planning to lay off 30 to 40 public works employees and close four internal service fee offices.

Ladies and gentlemen: We are not alone and we do not take this request for a tax increase lightly. Much thought, research and analysis have gone into preparing these budgets, which are *lean and tight*.

Besides flat revenues, another financial challenge I mentioned earlier is inflation.

For example, experts predict gas prices could approach \$4 a gallon this summer. We have 6,000 vehicles and machines that run on fuel. We estimate our fuel costs have increased by 25 percent over the past two years.

What's more: Our utility costs also have increased by *13* percent during this period.

Based on these trends, we estimate that fuel and energy costs will increase by \$3.2 million dollars in FY2009.

It's also costing us more to provide health care benefits to our employees and retirees. Everyone is feeling this pinch and we are not immune. Therefore, we estimate that it will cost us an additional \$3 million to provide health care benefits to City employees in FY2009.

Besides inflation, we have higher expenditures we that *must* manage. One relates to compensation. City of Memphis employees have worked without a salary increase for the past *three years*.

Not only are our employees talented and dedicated—they're also team players. We have an obligation to fairly compensate them. Therefore, this operating budget also includes \$17 million for employee raises. This figure represents a general salary increase of approximately five percent.

City employees sacrificed during our leanest years and did so without complaint. I appreciate their commitment and sacrifice. And I urge you to approve the recommended increase.

We have another obligation to meet. This one relates to our retired employees.

The Government Accounting Standards Board requires municipalities to disclose the existing obligation associated with providing future health benefits for retirees. This new requirement also encourages municipalities to set aside funds to cover the cost of this future obligation.

Therefore, we've doubled our annual allocation from \$3 million to \$6 million to address this obligation.

Another expenditure involves our strong commitment to eliminate blight in Memphis. We have earmarked \$5 million in Capital Improvement Program funds to pay for the demolition of abandoned homes. These structures are eyesores and crime magnets. They either need to be revitalized or torn down.

We've also earmarked over \$150,000 to remove graffiti from publicly and privately owned properties. We simply refuse to let this type of urban blight gain a strong foothold in our city.

Our newly established Division of Community Enhancement will oversee our anti-blight efforts. With its arsenal of code enforcement officers, we hope to use our resources more efficiently and effectively. Nearly \$7 million in new funding is devoted to fund this division's operations.

Delivering services costs money. Whether it's trash removal or street paving, providing access to library materials or a clean park to enjoy, we are in the service delivery business and this is a big business that touches every Memphian everyday.

We are honored to serve, to make a difference. And, we are poised to meet our challenges head on while we strive to move this city forward.

For example, we have a wonderful library system. But, we are committed to making it *better*. Access to information is a service we gladly and proudly provide. Therefore, we plan to *enhance* our library services. This budget includes \$1 million to purchase land for two future regional library sites. Another \$312,000 is earmarked to fund enhanced security at library branches, and still another HALF A million to enhance library collections.

These additional expenditures, coupled with higher service delivery costs, mean we must become more efficient in *how* we deliver services.

These are tough economic times. Therefore we must make tough decisions.

Ladies and gentlemen, I stand before you with the will and political courage to make these hard decisions. A year ago, we unveiled the results of an efficiency study of City of Memphis government. Experts analyzed operations that represented about 80 percent of our half-billion-dollar annual operating budget.

They found only about \$19 million in unrealized cost savings—a mere fraction of our overall budget. Facing stagnant revenues and rising service delivery costs, we plan to implement some of the experts' recommendations.

We invested in this study and are determined to use it to help us deliver services more efficiently. For example, the consultants recommended we close five public libraries and four community centers.

After much deliberation and study, we have decided to follow their recommendations and close the *Cossitt, Gaston Park, Highland, Levi* and *Poplar-White Station* branch libraries; along with the *Bethel-Labelle, Greenlaw, Hamilton* and *Simon-Boyd* community centers.

Closing these nine facilities will save upwards of \$2 million. These locations were not selected at random. Experts targeted them for sound reasons.

For instance, the Poplar-White Station and Highland branch libraries were selected for closure due to their close proximity to the new, state-of-the-art Benjamin Hooks Jr. Central Library. The others were selected because of their small size, minimal use, and physical decay.

The community centers were selected for similar reasons. For example, the Greenlaw Community Center is *less than a mile* from the Bickford Community Center, which is a newer facility with better amenities.

We continue to run a lean, tight ship. However, we must face the harsh reality that government cannot be all things to all people. There are limits.

During the times of plenty, government expanded, making the public accustomed to a scope of services it can no longer afford.

However, today's economic climate requires us to control expenses. We can no longer want services without accepting the fact that we must pay *more* for them. This is an unfortunate reality—but a *reality* nonetheless.

While these times require austerity, we also recognize that we must continue to be committed to our top priorities.

They are:

1. Public safety
2. Fiscal responsibility and accountability
3. Providing quality, affordable housing;
4. Foster economic development, and
5. Supporting and investing in education and workforce development.

We have a duty to serve and protect this community. Therefore, public safety is our top priority. More than \$350 million, or 60 percent, of this proposed budget is dedicated to funding public safety services and initiatives. This includes \$3.6 million to hire an *additional 125 police officers*, bringing our compliment of Memphis Police Department officers to 2,345.

Our Fire Department is represented by proud men and women who serve and protect this community. We've earmarked funds for the department's new Paramedic Education Program to help it better recruit and train qualified health professionals to provide emergency care when seconds count.

Regarding fiscal responsibility and accountability, we are prudent stewards of tax dollars. And we are in better financial shape than many municipal governments of similar size and scope. For example, last fiscal year we enjoyed a \$44.5 million surplus thanks mainly to good management. Unfortunately, due to the economy, we will not enjoy such a fantastic safety net this year.

However, on June 30, we anticipate a small surplus despite the current economic climate.

While we strive to meet the looming fiscal challenges head on, we remain committed to providing quality, affordable housing to Memphis residents. University Place in Midtown Memphis is a shining example.

We cannot afford to neglect workforce development. Therefore, \$2.2 million has been earmarked to help more than 1,000 youth gain invaluable employment experience through the annual summer youth employment program.

The money we invest in our youth today will pay great dividends tomorrow. We must fulfill our duty to prepare our city's future leaders and citizens. Therefore, "Investing in a Sustainable Future" is this year's budget theme.

As you carefully review the proposed operating and Capital Improvement Program budgets, you will notice that much thought, reflection, research and hard work have gone into determining how each precious dollar is spent. You also will notice that we have worked diligently to balance the need to provide services today with the need to invest in successful tomorrow.

I appreciate the hard work of CAO Keith McGee, Finance Director Roland McElrath and his staff, the division directors and every City employee who has worked diligently to ensure we get the most out of every dollar we spend everyday.

During the times of plenty—times when City of Memphis government thrived when many other municipalities across the nation did not—we increased services without increasing taxes. Just last year, we *enhanced* services without a property tax increase. Times were good. We wanted to do more and we did.

Times have changed. We cannot operate in a vacuum. Nor can we afford to be in denial regarding the economy and its impact on our operating costs. We recognize this fact and the proposed budgets before you today reflect our sober, yet optimistic view regarding our current fiscal health and future opportunities for progress.

These budgets are lean and tight. They are also sensitive to the citizenry's needs and our community's challenges.

In closing, the good news is that with an adequate property tax increase—only the *fifth* such financial intervention undertaken since I took office more than 16 years ago—these carefully crafted budgets are not only prudent, they are also *balanced*.

We are committed to serving the citizens of Memphis. And, I am confident that our strategic and fiscal plans will continue to bear fruit as our city continues to progress.

Members of the Council, with your continued support, City of Memphis government will successfully navigate these uncharted economic waters and emerge stronger and better than ever before.

I firmly believe that Memphis' best days *are* ahead.