



CITY of MEMPHIS

FINANCE DIVISION

**FYE 06/30/2015
3rd QUARTER FINANCIAL REPORT
For Period Ending March 31, 2015**

**Director of Finance
Brian Collins**

FY2015
3rd Quarter -March 31, 2015
TABLE OF CONTENTS

Summary Statement	i
Overview	ii
General Fund Full Year Forecast	
Financial Summary	1
Revenue <i>Discussion</i>	2
Expenditure <i>Discussion</i>	3
Cash Position All Funds	5
Appendix I	
General Fund Forecast Detail	7
Division Discussions	8
Appendix II	
Prior Year Comparison	10

City of Memphis
3rd Quarter Financial Report
Summary Statement

This document provides a review of the City's General Fund financial performance through the third quarter of the Fiscal Year 2015 (July - March), and a forecast of expected results for the entire fiscal year.

The full year forecast of the expected results are shown on page 1 of this report. Page one aligns the full year FYE 2015 budget with management's expected full year performance of both revenues and expenditures based on the actual results of operations through the 3rd quarter and known transactions that will occur in future months.

Based on current operations and performance for the remainder of FY2015, the planned addition to the reserves is forecast to be \$2.6M.

Any statement made in this report, including the appendices, involving forecasts, estimates, or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any forecast, estimate, or matter of opinion will be realized.

City of Memphis
Third Quarter Forecast Overview
July '14 - March '15

The third quarter performance and the forecast for FY 2015, based on the 3rd quarter results, indicate that operations will produce a positive fund balance. Revenues are expected to be above the adopted budget and expenses will also be above budget, however, revenues provide the greater positive variance.

Revenues include \$8.0M from fund balance to offset the payment to Shelby County Schools (SCS). In addition revenues include the forecasted growth above the FY15 budget in Local and State Tax revenues, and PILOT revenue.

Expenditures include the \$8.0M settlement for Shelby County Schools and \$2.0M added for a Summer Youth jobs program. Expenditures also include \$800K for the settlement of the MLGW utility pole attachment costs and \$13.5M for the restoration of retiree healthcare benefits. With the exception of the SCS settlement and the retiree benefits all budget amendments have been paid for by additional revenues or budget neutral expense adjustments.

The combination of revenue growth and Operating Divisions performing below budget are forecast to yield a positive contribution to fund balance.

General Fund Forecast
Quarter 3
2015 Functional Category Summary of Operations
BUDGET VS FORECAST (in '000)

Revenue	FY2015		FY2015		Variance	%	
	ADOPTED BUDGET	06/30/2014	OPERATING FORECAST				
Local Taxes	\$	414,592	\$	426,383	\$	11,791	2.84%
State Taxes	\$	57,240	\$	60,210	\$	2,970	5.19%
License and Permits	\$	11,444	\$	11,422	\$	(22)	-0.19%
Fines and Forfeitures	\$	19,352	\$	15,431	\$	(3,921)	-20.26%
Charges for Services	\$	30,804	\$	29,145	\$	(1,659)	-5.39%
Use of Money	\$	335	\$	349	\$	14	4.18%
Federal Grants	\$	-	\$	-	\$	-	0.00%
State Grants	\$	-	\$	1,604	\$	1,604	0.00%
Intergovernmental Revenues	\$	3,407	\$	3,407	\$	-	0.00%
Other Revenues	\$	7,906	\$	5,768	\$	(2,138)	-27.04%
Transfers	\$	72,839	\$	80,578	\$	7,739	10.62%
General Fund Revenue	\$	617,919	\$	634,297	\$	16,378	
Contribution from Fund Balance	\$	-	\$	13,000	\$	13,000	0.00%
Total Revenues	\$	617,919	\$	647,297	\$	29,378	4.75%

Expenditures	FY2015		FY2015		Variance	%	
	ADOPTED BUDGET	06/30/2014	OPERATING FORECAST				
Personnel Services	\$	450,483	\$	445,329	\$	5,154	1.14%
Material and Supplies	\$	109,314	\$	118,493	\$	(9,179)	-8.40%
Capital Outlay	\$	450	\$	350	\$	100	22.22%
Grants and Subsidies *	\$	49,271	\$	64,849	\$	(15,578)	-31.62%
Inventory	\$	343	\$	321	\$	22	6.41%
Transfers Out	\$	7,880	\$	15,278	\$	(7,398)	-93.88%
Other	\$	96	\$	106	\$	(10)	-10.42%
Total Expenditures	\$	617,837	\$	644,726	\$	(26,889)	-4.35%
Reserve for Red Light Camera	\$	-	\$	(345)	\$	345	
Total Expenditures less Reserves	\$	617,837	\$	644,381	\$	(26,544)	
Change in Net Position	\$	82	\$	2,571	\$	2,489	
FORECASTED UNRESERVED FUND BALANCE IS \$83,741							
* Includes \$8.0M for Shelby County Schools Divisional expenditure breakout can be found on page 7. Differences due to rounding.							

Revenue Forecast Discussion

General Fund

For Nine Months Ending March 31, 2015

Total revenue for FY 2015 , excluding the contribution from fund balance, is forecast to be higher than the FY2015 *Adopted* budget by \$16.4M. There are a mixture of positive and negative factors in this forecast. The major revenue categories are discussed below:

◆**Local Taxes** - This revenue grouping which includes property taxes and local sales taxes, is forecast to be \$11.7M above the adopted budget. Property Taxes, including \$3.3M for the Southwind Annexation, will be \$5.1M above budget. Local Sales Taxes are trending \$4.0M above budget. The Mixed Drink Tax will provide a gross revenue increase of \$4.5M. A variety of small revenues such as franchise and excise taxes are trending positive at \$900K above budget.

Local taxes that are below budget are: gross receipts tax, down by \$2.0M; and various smaller taxes, down by about \$900K.

◆**State Taxes** – State Taxes are trending to come in at \$3.0M above the adopted budget. Although State Hall Taxes are distributed later in the fiscal year, the forecast is that they will be \$2.1M above the budget projections. State Sales Taxes are estimated to be \$1.5M above budget. The Professional Privilege Tax will be \$600K below budget.

◆**Licenses and Permits** – Collections in this category are expected to come in on budget.

◆**Fines and Forfeitures** – Court Fees and Court Costs are the largest revenue items in this grouping. Combined they appear to be trending near budget levels. New Red Light Camera (RLC) revenue was implemented later than expected, as a result this will be \$2.0M below budget. The total budget impact for the fines and forfeitures category is forecast to be \$4.0M below budget.

◆**Charges for Services** – Several divisions impact these revenues, including Fire, Police and Parks. There are some slight budget variances in tow fees, wrecker and shop charges and police special events that will cause this area to be about \$1.7M below budget.

◆**Transfers- In** - This category will be positive by \$7.7M because of the MLGW in-lieu of tax revenue. For the third quarter the transfer from the New Memphis Arena fund of \$1.0M is planned for the General Fund. This represents a repayment to the General Fund from the New Memphis Arena Fund. Street Aid funds will be about \$200K above budget.

◆**Other Revenues** – There have been no indications of additional revenue from miscellaneous sources. Therefore this category is forecast to meet budget expectations.

◆**Contributions From Fund Balance** – In accordance with the settlement agreement for Shelby County Schools the City agreed to pay \$8.0M as a initial payment to the settlement in FY 2015. The \$8.0M is from the City's Fund Balance. An additional \$5.0M of fund balance is forecast to pay for the restored retiree benefit cost. The remainder of the additional benefit cost will be absorbed by positive operational performance in revenues and expenditures.

Expenditure Forecast Discussion
General Fund
For Nine Months Ending March 31, 2015

The forecasted FY2015 *general fund expenditure budget* is \$644.7M dollars. The major expense categories from the adopted budget have been compared to the funding budget. Although there are some negative variances this is due to funding budget adjustments that have been made above the adopted budget and paid for by additional revenues or reserves.

◆**Personnel Services** - This spending category includes benefits and is performing 1.14% below budget. As a result personnel is expected to come in under budget. In some areas overtime is exceeding the plan, however, vacancies are offsetting this impact. Long term strategies are in place for Police and Fire to initiate recruit classes which will reduce overtime in the future.

◆**Materials and Supplies** - This spending category is 8.4% above budget. Blight cost and the summer youth program are the reasons for the variances.

◆**Grants and Subsidies** - This category is above the adopted budget because of the \$8.0M for the initial settlement to Shelby County Schools, and \$800K for MLGW utility pole expenses, and health costs.

◆**Transfers Out** - This category includes \$10.0M to the OPEB fund to restore some portion of retiree healthcare cost.

◆**Other** - All other expenditure categories are trending as planned.

FY 2015

CASH BALANCE ALL FUNDS

City of Memphis
3rd Quarter FY 2015

Cash Position all funds (in 000's)

The State of Tennessee requires all municipalities to have positive cash balances at the end of the fiscal year. The schedule below lists the projected cash balances for the City of Memphis Funds. As of this report all funds are projected to have a positive cash balance or loan agreement in place to have a positive cash position.

Fund	Claim on Cash * as of 3/2015	Projected Ending Claim on Cash FY15
0111 General Fund	\$ 191,500	\$ 110,863
0201 State Street Aid Fund	\$ 1,399	\$ -
0203 Midtown Corridor Fund	\$ 4	\$ 4
0204 Solid Waste Management Fund	\$ 12,859	\$ 12,866
0205 Miscellaneous Grants Fund	\$ 2,847	\$ (209)
0211 Workforce Investment Act Fund	\$ 491	\$ 749
0216 Drug Enforcement Fund	\$ 10,640	\$ 9,983
0219 MLK Park Improvement Fund	\$ 72	\$ 83
0221 Community Development Fund	\$ 488	\$ 28
0223 Hotel/Motel Occupancy Tax Fund	\$ 1,549	\$ -
0225 New Memphis Arena Special Rev.	\$ 1,119	\$ 1,064
0228 CRA Programs	\$ 4,139	\$ 3,455
0301 Debt Service Fund	\$ 59,406	\$ 50,603
0400 Capital Projects Fund	\$ 17,333	\$ 7,507
0601 Sewer Treatment & Collection -	\$ 102,955	\$ 100,955
0661 Metro Alarm Fund	\$ 1,859	\$ 1,809
0671 Storm Water Fund	\$ 7,073	\$ 6,500
0721 Health Insurance Fund	\$ 19,304	\$ 1,184
0731 Unemployment Compensation Fund	\$ 1,265	\$ 1,043
0741 Fleet Management Fund	\$ 2,566	\$ 2,739
0853 Other Post Employment Benefit	\$ (3,629)	\$ 1,445
Total Cash	\$ 435,239	\$ 312,671

* From Appropriation Statement.

APPENDIX I

GENERAL FUND FORECAST DETAIL

**Forecast
Quarter 3
2015 Division Expenditures Summary of Operations
(in '000)**

Expenditures	FY2015 Funding Budget	FY2015 Operating Forecast	Variance
City Attorney	\$ 10,631	\$ 10,179	\$ 452
City Council	\$ 1,668	\$ 1,545	\$ 123
City Court Clerk	\$ 7,742	\$ 5,673	\$ 2,069
City Court Judges	\$ 641	\$ 624	\$ 17
City Engineer	\$ 10,143	\$ 9,541	\$ 602
Executive	\$ 8,626	\$ 8,599	\$ 27
Finance & Administration	\$ 5,439	\$ 5,107	\$ 332
Fire	\$ 168,701	\$ 166,710	\$ 1,991
General Services	\$ 22,705	\$ 21,839	\$ 866
Grants & Subsidies	\$ 75,148	\$ 70,583	\$ 4,565
Housing & Community Development	\$ 5,185	\$ 5,185	\$ -
Human Resources	\$ 6,459	\$ 5,793	\$ 666
Information Systems	\$ 17,604	\$ 17,516	\$ 88
Parks & Neighborhoods	\$ 51,438	\$ 50,330	\$ 1,108
Police	\$ 255,680	\$ 244,026	\$ 11,654
Public Works	\$ 24,487	\$ 21,473	\$ 3,014
Total Expenditures	\$ 672,297	\$ 644,723	\$ 27,574
Reserves for Red Light Camera		\$ (345)	\$ 345
Total Expenditures less Reserves	\$ 672,297	\$ 644,378	\$ 27,919

Quarterly Report - March 2015

City of Memphis
FY 2015 3rd Quarter Division Discussion
Nine Months Ending March 31, 2015

City Attorney

- **Cost Drivers**-- Trending below budget levels, primarily due to salaries below budget.

City Council

- **Cost Drivers**- Trending below budgeted levels, primarily due to salaries.

City Court Clerk

- **Cost Drivers**- Trending below budgeted levels due to Red Light Camera fees that will not be paid as a result of a later than planned project implementation.

City Court Judges

- **Cost Drivers**- Trending at budgeted levels.

Engineering

- **Cost Drivers**-- Trending below budget levels
Notable Expense Items - \$550K Below Budget due to personnel (12 vacancies) and various M&S expenditures such as equipment rentals and repairs.

Executive

- **Cost Drivers**- Trending slightly below budgeted levels.
Notable Expense Items - New spending will be implemented for youth programs.

Finance

- **Cost Drivers**- Trending below budget levels due to salaries.

Fire

- **Cost Drivers**- Trending below budget levels.
Notable Expense Items - Vacancies are slightly over 150, some of this however, is offset by increased overtime. Fire class for new employees is expected to start in April 2015

City of Memphis
FY 2015 3rd Quarter Division Discussion
Nine Months Ending March 31, 2015

General Services

- **Cost Drivers-** Trending below budgeted levels, due to salaries
- **Notable Expense Items** - Adjustments in place to use some savings to transition Information Services Division to new office location.

Grants and Agencies

- **Cost Drivers-** Trending below the revised budget levels. The settlement cost of \$800K for MLGW and Transfers-out to the OPEB fund of \$13.5M will be expensed through this cost center. Planning and Development and the Facility Management Program are areas where Grants are below budget.

HCD - Housing and Community Development

- **Cost Drivers-** Trending at revised budget levels.

Human Resources

- **Cost Drivers-** Trending below budgeted levels.

Information Technology

- **Cost Drivers-** Trending below budgeted levels.

Parks and Neighborhoods

- **Cost Drivers-** Trending below budgeted levels.
- **Notable Expense Items** - There are cost that may come into play such as community center hours and the library printer repairs; once these are fully evaluated savings could be eroded.

Police

- **Cost Drivers-**Trending below budgeted levels. Salaries are substantially below budget levels.

Public Works

- **Cost Drivers-** Trending below Budgeted levels.
- **Notable Expense Items** - The primary cost reduction driver is due to staffing vacancies. Spending will be below budget and some of the savings will be moved to other categories in the division.

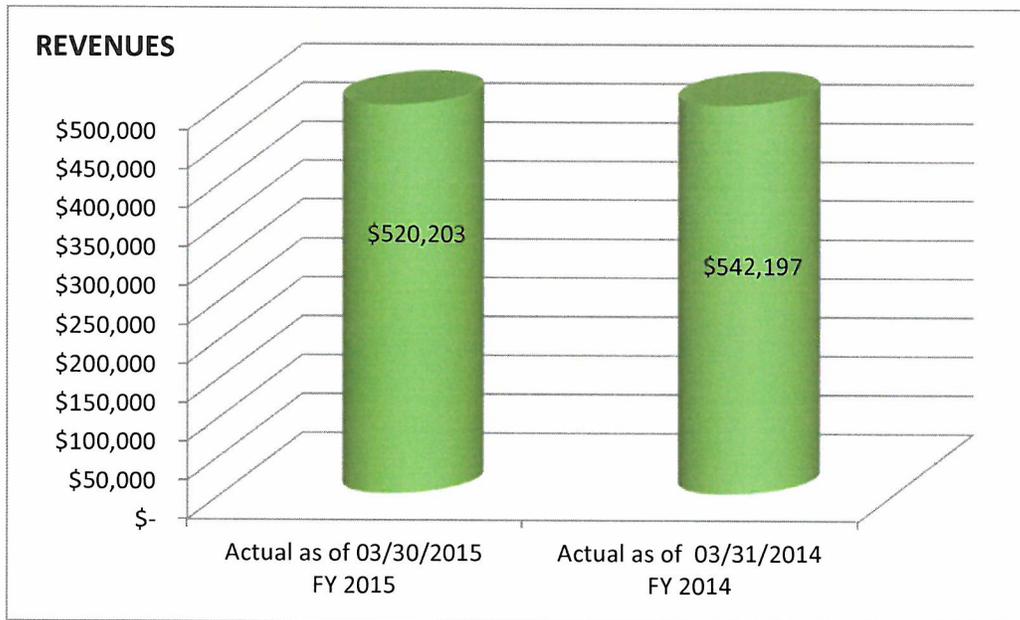
APPENDIX II
PRIOR YEAR COMPARISON

Comparative Revenue Summary

of
Quarter 3 Actual Revenues FY 2015
vs.
Quarter 3 Actual Revenues Prior FY 2014

Total revenue collected in the 3rd quarter of FY 2015 was \$520.2 million vs \$542.2 million, \$22.0 million less for this same time last year. This difference is primarily caused by the reduction of the reallocation of the portion of the tax rate to Debt Service.

See page 13 for revenue details

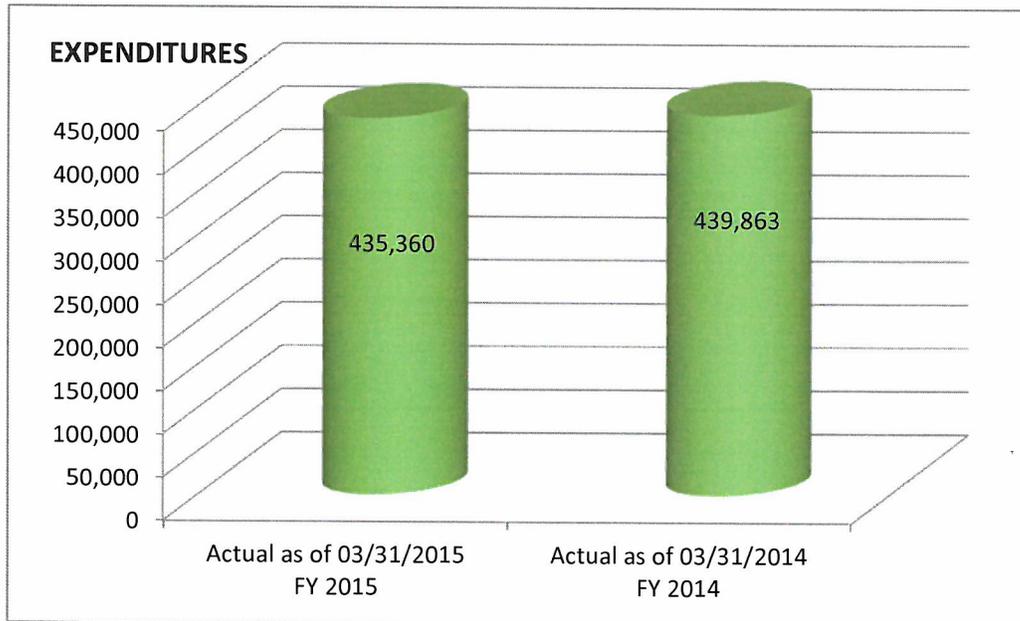


Comparative Expense Summary

of
Quarter 3 Actual Expenditures FY 2015
vs.
Quarter 3 Actual Expenditures Prior FY 2014

Total expenditures for the 3rd quarter of the FY 2015 are approximately one percent less. Timing differences of the payment of certain expenses account for the differences.

See page13 for expenditure details.
(Divisional expenditures are shown in the appendix on page 14.)



**Comparative Summary
of
Quarter 3 Actual Performance
Current FY 2015 vs. Prior FY 2014**

Revenue	FY2015 Actual Qtr. Ending 03/31/2015	FY2014 Actual Qtr. Ending 03/31/2014	Variance	%
Local Taxes	\$376,021,018	\$391,436,245	(\$15,415,227)	-3.94%
State Taxes	\$37,985,736	\$36,134,637	\$1,851,099	5.12%
License and Permits	\$8,486,889	\$8,657,120	(\$170,231)	-1.97%
Fines and Forfeitures	\$11,988,083	\$13,206,228	(\$1,218,145)	-9.22%
Charges for Services	\$21,385,123	\$22,357,809	(\$972,686)	-4.35%
Use of Money	\$337,931	\$326,946	\$10,985	3.36%
Federal Grants	\$0	\$397,108	(\$397,108)	-100.00%
State Grants	\$902,926	\$1,078,749	(\$175,823)	-16.30%
Intergovernmental Revenues	\$2,556,996	\$2,996,672	(\$439,676)	-14.67%
Other Revenues	\$5,258,263	\$6,369,919	(\$1,111,656)	-17.45%
Transfers	\$55,280,007	\$59,235,389	(\$3,955,382)	-6.68%
Total Revenues	\$520,202,972	\$542,196,822	(\$21,993,850)	-4.06%

Functional Expenditures	FY2015 Actual Qtr. Ending 03/31/2015	FY2014 Actual Qtr. Ending 03/31/2014	Variance	%
Personnel Services	\$311,360,327	\$305,079,862	(\$6,280,465)	-2.06%
Material and Supplies	\$62,127,350	\$69,039,352	\$6,912,002	10.01%
Capital Outlay	\$11,093	\$16,347	\$5,254	32.14%
Grants and Subsidies	\$52,043,390	\$56,753,189	\$4,709,799	8.30%
Inventory	\$170,640	\$115,674	(\$54,966)	-47.52%
Transfers Out	\$8,037,258	\$8,711,414	\$674,156	7.74%
Investment Fees	\$114,066	\$94,316	(\$19,750)	-20.94%
Others	\$1,496,230	\$52,858	(\$1,443,372)	-2730.66%
Total Expenditures	\$435,360,354	\$439,863,012	\$4,502,658	0.85%
Change in Net Position	\$84,842,618	\$102,333,810	(\$17,491,192)	-17.09%

Supporting detail on page 14.

**Comparative Summary
of
Quarter 3 Actual Divisional Expenditures
Current FY 2015 vs. Prior FY 2014**

Expenditures	FY2015 Actual Qtr. Ending 03/31/2015	FY2014 Actual Qtr. Ending 03/31/2014	Variance	%
City Attorney	\$ 6,179,555	\$ 7,679,359	\$ (1,499,804)	-19.53%
City Council	\$ 1,079,023	\$ 1,028,774	\$ 50,249	4.88%
City Court Clerk	\$ 4,228,304	\$ 3,063,045	\$ 1,165,259	38.04%
City Court Judges	\$ 440,075	\$ 438,713	\$ 1,362	0.31%
City Engineer	\$ 6,508,470	\$ 5,932,055	\$ 576,415	9.72%
Executive	\$ 4,385,862	\$ 3,714,190	\$ 671,672	18.08%
Finance & Administration	\$ 3,350,815	\$ 3,270,947	\$ 79,868	2.44%
Fire	\$ 114,147,758	\$ 112,470,183	\$ 1,677,575	1.49%
General Services	\$ 13,788,403	\$ 13,512,036	\$ 276,367	2.05%
Grants & Subsidies	\$ 54,559,269	\$ 53,539,849	\$ 1,019,420	1.90%
<i>Other G & A</i>	\$ 29,569,229	\$ 34,849,809	\$ (5,280,580)	-15.15%
<i>MATA</i>	\$ 24,990,040	\$ 18,690,040	\$ 6,300,000	33.71%
<i>Memphis City Schools</i>	\$ -	\$ -	\$ -	0.00%
Housing & Community Development	\$ 1,413,558	\$ 2,773,220	\$ (1,359,662)	-49.03%
Human Resources	\$ 3,209,821	\$ 3,361,791	\$ (151,970)	-4.52%
Information Systems	\$ 9,390,112	\$ 9,526,321	\$ (136,209)	-1.43%
Park Services	\$ 32,307,734	\$ 32,086,471	\$ 221,263	0.69%
Police	\$ 169,266,896	\$ 169,540,912	\$ (274,016)	-0.16%
Public Works	\$ 9,485,152	\$ 13,470,493	\$ (3,985,341)	-29.59%
Other	\$ 1,619,547	\$ 4,454,655	\$ (2,835,108)	-63.64%
	\$ -	\$ -		
Total Expenditures	\$ 435,360,354	\$ 439,863,014	\$ (4,502,660)	-1.02%

