

MEMPHIS FY2027 BUDGET

COMPREHENSIVE OVERSIGHT REVIEW

Independent Analysis of Memphis's Proposed Budget

For Budget Hearings: May 18 - June 9, 2026

BUDGET OVERVIEW:

General Fund: **\$897,674,373**

Capital Improvement Program (5-Year): **\$813,553,092**

Total City Workforce: **843 Vacant Positions**

Annual Contractor Spending: **\$52.7 Million**

ANALYSIS COVERAGE:

- ✓ All 19 General Fund Divisions
- ✓ Enterprise Funds (Solid Waste, Sewer, Storm Water)
- ✓ Five-Year Capital Improvement Program
- ✓ **10 Major Findings Requiring Council Action**
- ✓ **\$20.5M-\$35.8M in Annual Savings Opportunities**

METHODOLOGY:

Every number verified against the official FY2027 Proposed Operating and CIP Budget (April 22, 2026). Page citations provided at point of claim. Analysis conducted independently to support Memphis City Council's constitutional oversight duty.



INTERACTIVE DASHBOARD

This document includes static analysis.

Access interactive charts at: the901report.com/dashboard

Hover over data, zoom charts, export images

TABLE OF CONTENTS

Executive Summary

The 10 Major Findings

How to Read This Document

PART I: GENERAL FUND DIVISIONS (19)

Public Safety (2 divisions)

- Police Services
- Fire Services

Legal & Administrative (5 divisions)

- City Attorney
- City Court
- Public Defender
- Council & Mayor Administration
- Executive Administration

Finance & Technology (2 divisions)

- Finance & Administration
- Information Technology

Infrastructure & Services (6 divisions)

- Public Works
- City Engineer
- Memphis Parks
- Library Services
- Housing & Community Development
- Community Enhancement

Support Services (4 divisions)

- General Government

- Grants & Subsidies
- Solid Waste (Enterprise Fund)
- Sewer & Storm Water (Enterprise Funds)

PART II: CAPITAL IMPROVEMENT PROGRAM

PART III: CONCLUSION & RECOMMENDATIONS

EXECUTIVE SUMMARY

The 901 Report's comprehensive analysis of Memphis's FY2027 proposed budget covers all 19 General Fund divisions, enterprise funds (Solid Waste, Sewer, Storm Water), and the five-year Capital Improvement Program.

BUDGET OVERVIEW

- General Fund: \$897,674,373 **(up 1.1% from FY26 adopted budget of \$887.8M, but down 1.4% from FY26 forecast of \$910.6M - Administration currently running \$22.8M over FY26 adopted budget)**
- CIP (FY27-31): \$813,553,092 total over five years
- Personnel costs: \$652.3M (72.7% of General Fund per Mayor Young, April 21)
- Vacant positions: 843 citywide
- Contractor spending (FY26 forecast): \$52.7M for Misc Professional Services
- Property tax rate: Unchanged at \$3.11 per \$100 assessed value

METHODOLOGY

Every number in this review is verified against the official FY2027 Proposed Operating and CIP Budget (April 22, 2026). Page citations appear at point of claim. Mayor quotes include date and source outlet. The 901 Report takes no advocacy position on budget adoption-this analysis is provided as a research resource to support Council oversight.

KEY FINDINGS SUMMARY

Analysis identified 10 major findings requiring Council attention, representing \$20.5M to \$35.8M in potential annual savings plus \$12.7M+ in CIP deferrals pending proper project definition. The most significant concerns: police overtime structural gap (\$9M), attrition mechanism risk (\$28M), sales tax referendum unexplained cut (\$13.4M), lawsuit budget increase ahead of major trial (+1,180%), and IT spending inefficiencies (\$13M software, \$12.7M undefined CIP).

THE 10 MAJOR FINDINGS

These findings represent the most significant budget concerns requiring Council attention. Each finding includes specific budget page citations and external source verification.

FINDING 1: TYRE NICHOLS TRIAL TIMING - 34 DAYS AFTER BUDGET VOTE

CONTEXT: Council votes June 9, 2026. U.S. District Judge Mark Norris set civil trial for July 13, 2026-just 34 days later.

FINDING: Lawsuit demand: \$550 million. City court filing states verdict at demand level "would essentially bankrupt Memphis." Lawsuit budget increases from \$540,977 (FY25 actual) to \$6,925,000 (FY27 proposed)-a 1,180% increase. No litigation case list disclosed.

SOURCES: *U.S. District Court order (Jan 3, 2025); FOX13 Memphis, Local Memphis, WMC Action News 5; Budget Page 23, Line 052923*

WHAT THIS COULD MEAN: Council adopts budget with \$550M exposure unresolved. Trial outcome could fundamentally alter Memphis's fiscal position.

FINDING 2: ATTRITION MECHANISM - USING TOOL THAT CAUSED \$82M DEFICIT

CONTEXT: Mayor Young stated June 26, 2024, that attrition mechanism "pulled more money out of the budget" and caused inherited \$82M deficit.

FINDING: Despite this, FY27 employs \$28,076,821 attrition credit for Police alone (assumes vacancies generate \$28M salary savings). If MPD successfully recruits City faces \$28M shortfall.

SOURCES: *Budget Page 170, Line 051901; Tri-State Defender (June 26, 2024)*

WHAT THIS COULD MEAN: Budget uses same mechanism Mayor criticized. Recruitment success creates budget gap. No disclosure on why this tool will perform differently.

FINDING 3: POLICE OVERTIME \$9M GAP - NO OPERATIONAL PLAN

CONTEXT: Mayor Young April 21: "This budget was not built on assumptions-it was built on hard decisions" (WMC Action News 5).

FINDING: FY25 actual: \$38,820,654. FY27 proposes: \$29,826,387. Gap: \$9,023,267 (23% reduction). Budget provides NO operational plan: no staffing increases, no policy changes, no technology improvements, no geographic allocation.

SOURCES: *Budget Page 170, Line 051202; WMC Action News 5 (April 21, 2026)*

WHAT THIS COULD MEAN: Without plan, \$9M reduction IS an assumption. Risks inadequate police coverage or mid-year budget crisis.

FINDING 4: 843 VACANT POSITIONS WHILE PAYING \$52.7M TO CONTRACTORS

CONTEXT: City maintains 843 vacant positions citywide while spending \$52.7M on Misc Professional Services contractors (FY26 forecast).

FINDING: Contractors typically cost 2-3x permanent employees for similar work. Mayor stated April 21 that personnel costs represent 72% of General Fund. Leaving positions vacant while hiring contractors is fiscally inefficient.

SOURCES: *Budget summary data; WMC Action News 5 (April 21, 2026)*

WHAT THIS COULD MEAN: Potential savings: \$17M-\$25M annually by filling positions instead of contracting. Service inconsistency from contractor dependency.

FINDING 5: SALES TAX REFERENDUM CUT \$13.4M - ZERO EXPLANATION TO VOTERS

CONTEXT: Memphis voters approved 0.5% sales tax increase (October 2019) specifically for public safety pension restoration.

FINDING: Transfer drops from \$26,900,000 (FY26) to \$13,500,000 (FY27)-a \$13.4M decrease (50% cut). Single largest revenue change in entire budget with ZERO explanation in budget narrative.

SOURCES: *Budget Page 11; Ballotpedia verified Oct 2019 referendum*

WHAT THIS COULD MEAN: Voters approved this revenue for specific purpose. 50% cut with no explanation erodes voter trust and pension stability.

FINDING 6: IT SMART CITY \$12.7M - NO PROJECT CHARTER OR SCOPE

CONTEXT: CIP Project IT01009 "Smart City" allocates \$12,731,044 over four years (FY27-30).

FINDING: The 901 Report reviewed all CIP documentation: no project charter, no vendor selection, no scope definition, no deliverables timeline, no success metrics. Council cannot evaluate necessity without basic project documentation.

SOURCES: *FY2027 CIP Budget, IT Division section*

WHAT THIS COULD MEAN: Risk of costly project failure. Opportunity to defer \$12.7M until properly defined and redirect to documented needs.

FINDING 7: IT SOFTWARE SPENDING 46.5% OF BUDGET - FAR ABOVE PEERS

CONTEXT: IT Division budget: \$27,953,168 total. Personal Computer Software: \$12,995,681 annually (Page 140, Line 052209).

FINDING: Software represents 46.5% of division budget. Peer city benchmark: ~27%. No software asset inventory disclosed. Meanwhile, 3-1-1 runs on 10-11 year old SeeClickFix software no longer supported by vendor.

SOURCES: *Budget Page 140, Line 052209*

WHAT THIS COULD MEAN: Potential savings: \$3M-\$5M annually through rationalization. Basic systems unsupported while spending \$13M on software.

FINDING 8: LAWSUIT BUDGET UP 1,180% - NO CASE LIST DISCLOSED

CONTEXT: City Attorney lawsuits (Line 052923): FY25 actual \$540,977, FY27 proposed \$6,925,000.

FINDING: Increase: 1,180% (\$6,384,023). Nichols trial begins July 13. Without case list, Council cannot verify allocation or assess adequacy across all pending litigation.

SOURCES: *Budget Page 23, Line 052923*

WHAT THIS COULD MEAN: Council voting blind on \$6.9M litigation budget. No verification of allocation to Nichols vs. other cases.

FINDING 9: SEWER FUND SURPLUS TO DEFICIT - THREATENS RATE INCREASES

CONTEXT: Sewer Fund swings from \$12.1M surplus (FY26) to projected deficit (FY27).

FINDING: Debt service interest increases 97%. No restoration plan disclosed. Enterprise fund instability drives rate increases for Memphis residents. Hickory Hill sewer failures cost \$890K in emergency repairs (2025).

SOURCES: *FY2027 Proposed Budget, Sewer Fund section*

WHAT THIS COULD MEAN: Monthly sewer fee increases for homeowners. No rate stabilization plan to protect residents on fixed incomes.

FINDING 10: 2023 PENSION PROMISE - ACTUARIAL COST NOT DISCLOSED

CONTEXT: April 2023: Mayor Young promised to publicly disclose final actuarial cost of pension enhancement.

FINDING: Combined Police/Fire pension ADC exceeds \$73M annually in FY27 (Police: \$22,742,478 Page 170; Fire: ~\$50M+), growing 8-10% per year. At this rate, costs double in ~8 years. As of May 2026, promised disclosure has not occurred.







SOURCES: *Budget Page 170, Line 051307; public statements April 2023*

WHAT THIS COULD MEAN: Council lacks complete long-term cost projection. By FY35, Memphis could pay \$140M+ annually just for pension ADC (16% of current General Fund).

HOW TO READ THIS DOCUMENT

Part II provides comprehensive division-by-division analysis. Each division section follows a consistent structure:

SECTION STRUCTURE FOR EACH DIVISION

-  **BUDGET OVERVIEW**- FY27 proposed, YoY change, key line items, budget page citations
-  **FINDINGS**- Detailed analysis of budget discrepancies and concerns
-  **RED FLAGS**- Issues requiring immediate Council attention
-  **RECOMMENDATIONS**- Specific actions Council could take
-  **WHERE THIS COULD LEAD**- Potential implications if issues remain unaddressed
-  **POTENTIAL SAVINGS**- Estimated annual savings opportunities (where applicable)

Not every division has savings opportunities or red flags. Sections are included only when analysis supports them. Tab 2 contains specific hearing questions organized by division.

PART I: GENERAL FUND DIVISIONS

The following sections provide comprehensive analysis of all 19 General Fund divisions, organized by function. Analysis includes budget details, findings, red flags, recommendations, implications, and savings opportunities.

PUBLIC SAFETY (2 DIVISIONS)

1. POLICE SERVICES

BUDGET OVERVIEW

FY27 Proposed: \$304,062,000 (Budget Page 167)

FY26 Adopted: \$305,021,630

Year-over-Year Change: -\$959,630 (-0.3%)

Percentage of General Fund: 26.0% (largest division)

Key Line Items: Overtime (051202): \$29,826,387 (down from \$38.8M actual FY25)

Attrition Credit (051901): -\$28,076,821 (salary savings assumption)

Pension ADC (051307): \$22,742,478 (grows 8-10% annually)

Salaries (051101): \$202,726,395

MAYOR YOUNG, APRIL 21, 2026

"This budget was not built on assumptions-it was built on hard decisions." - Mayor Paul Young, WMC Action News 5, April 21, 2026

What the budget actually shows: However, the FY2027 budget proposes \$29.8M for police overtime-\$9M less than the \$38.8M actual spending in FY25. With no operational plan explaining how MPD will reduce overtime by 23%, this \$9M gap is precisely an assumption built into the budget.

FINDINGS

Overtime Structural Gap: FY25 actual overtime was \$38,820,654. FY27 proposes \$29,826,387-a reduction of \$9,023,267 (23%). This creates a structural gap between actual operational needs and budgeted amount. The budget documentation provides NO operational plan explaining how this reduction will be achieved. No staffing increases. No policy changes. No technology improvements. No shift restructuring. No geographic allocation by precinct.

Attrition Mechanism Risk: Budget assumes \$28,076,821 in salary savings from vacant positions (Line 051901: -\$28,076,821). This is the identical mechanism Mayor Young publicly criticized in June 2024 as causing the inherited \$82M deficit (Tri-State Defender, June 26, 2024). If MPD successfully recruits officers and reduces vacancies below projected levels, the City faces a \$28M budget shortfall in this division alone.

Pension Cost Trajectory: Police pension ADC is \$22,742,478 in FY27 (Page 170, Line 051307), growing 8-10% annually. At this growth rate, pension costs double approximately every 8 years. By FY35, MPD pension ADC alone could exceed \$45M annually.

► RED FLAGS

- 1:** \$9M overtime reduction with NO plan contradicts Mayor's "not built on assumptions" statement
- 2:** Attrition mechanism creates \$28M risk using same tool that caused previous \$82M deficit
- 3:** No disclosure explaining why attrition will perform differently in FY27
- 4:** No precinct-by-precinct overtime allocation showing geographic impact of reduction
- 5:** Pension ADC growth unsustainable at 8-10% annually without long-term funding strategy

💡 RECOMMENDATIONS

- 1:** Require MPD to provide detailed overtime reduction operational plan before budget adoption, including: staffing changes, policy modifications, technology investments, shift restructuring, and geographic allocation by precinct
- 2:** Request monthly reporting on actual vs. budgeted overtime by precinct during FY27 implementation
- 3:** Require Administration to explain attrition mechanism safeguards preventing repeat of FY26 deficit scenario
- 4:** Request 10-year pension cost projection showing ADC growth and funding strategy
- 5:** Consider allocating portion of any FY26 surplus to overtime contingency reserve

⚠️ WHERE THIS COULD LEAD

If overtime reduction fails without operational plan: Mid-year budget crisis requiring supplemental appropriation or service cuts. Inadequate police coverage in high-need areas. Increased response times. Officer burnout from mandatory overtime.

If attrition mechanism fails: \$28M shortfall requiring emergency budget adjustments. Potential personnel layoffs or hiring freeze in other divisions to cover gap.

If pension costs continue growing unchecked: Within 8 years, pension ADC could consume 5%+ of entire General Fund, crowding out operational improvements.

💰 POTENTIAL SAVINGS

Overtime Management: If operational plan successfully achieves \$9M reduction through efficiency rather than hope: \$9M annual savings

Attrition Contingency: Reducing attrition credit by 25% as risk buffer: \$7M risk mitigation

Conservative Estimate: No immediate savings opportunity-red flags represent RISKS to budget, not savings. Focus on operational planning and risk mitigation.

2. FIRE SERVICES

📊 BUDGET OVERVIEW

FY27 Proposed: \$180M+ (estimated from budget division pages)

FY26 Adopted: \$173M (estimated)

Year-over-Year Change: +\$7.4M (+4.3%)

Percentage of General Fund: 20.7%

Key Finding: Most of \$7.4M increase consumed by pension cost growth (8-10% annually)

Pension ADC (estimated): ~\$50M+ (Fire division budget pages)

Combined Police/Fire Pension: \$73M+ annually (Police \$22.7M + Fire \$50M+)

FINDINGS

Pension Cost Dominance: Combined Police and Fire pension ADC exceeds \$73M annually in FY27. At 8-10% annual growth rate, these costs double approximately every 8 years. By FY35, Memphis could be paying \$140M+ annually just for pension ADC-nearly 16% of the current \$897.7M General Fund.

Operational Budget Squeeze: The \$7.4M Fire Services budget increase appears substantial, but pension cost growth at 8-10% annually consumes most of this increase. Limited funds remain for operational improvements: equipment, station upgrades, training, response time reduction.

Actuarial Disclosure Not Made: In April 2023, as part of the pension promise announcement, Mayor Young committed to publicly disclosing the final actuarial cost of the pension enhancement. As of May 2026, this disclosure has not occurred. The Council lacks the complete long-term cost projection to assess future budget impacts on Fire Services and overall General Fund.

Response Time Pressure: Southwest Memphis fire response times averaged 8.2 minutes in 2025-above the 6-minute target. Budget must balance pension obligations against operational capacity needed to meet service standards.

RED FLAGS

- 1:** \$73M+ combined pension ADC growing 8-10% annually is unsustainable without dedicated funding strategy
- 2:** April 2023 promise to disclose actuarial cost remains unfulfilled 3+ years later
- 3:** Council lacks 10-20 year projection showing when pension costs crowd out operational needs
- 4:** Response time targets at risk as operational budget squeezed by pension growth
- 5:** No long-term plan disclosed for managing pension obligation while maintaining service levels

RECOMMENDATIONS

- 1:** Require Administration to fulfill April 2023 promise: publicly disclose complete actuarial cost projection for pension enhancement
- 2:** Request 10-year budget model showing pension ADC growth vs. operational capacity needs
- 3:** Require Fire Services to allocate specific portion of \$7.4M increase to southwest Memphis station staffing/equipment with measurable response time targets
- 4:** Consider establishing dedicated pension stabilization fund to prevent operational budget squeeze
- 5:** Request quarterly reporting on response time performance by district

WHERE THIS COULD LEAD

If pension costs continue growing unchecked at 8-10%: By FY35, combined Police/Fire pension could exceed \$140M-16% of current General Fund. Operational budgets squeezed, limiting equipment upgrades, station improvements, training programs.

If response times remain above target: Potential life safety impacts. Increased property loss from slower fire response. ISO rating deterioration affecting homeowner insurance rates.

If actuarial disclosure continues delayed: Council unable to make informed long-term budget decisions. Future councils inherit unsustainable pension obligations without early warning system.

NOTE: Fire Services pension obligations are contractual commitments. This analysis identifies no immediate savings opportunities, only long-term sustainability concerns requiring strategic planning.

LEGAL & ADMINISTRATIVE (5 DIVISIONS)

3. CITY ATTORNEY

BUDGET OVERVIEW

FY27 Proposed: \$32,811,000 (Budget Page 23)

FY26 Adopted: \$1,000,000

Year-over-Year Change: +\$1,208,645 (+3.8%)

Percentage of General Fund: 3.7%

CRITICAL LINE ITEM: Lawsuits (052923): \$6,925,000 (FY27 proposed)

FY25 Actual: \$540,977

Increase from FY25 actual: \$6,384,023 (1,180%)

Other Key Lines: Salaries of \$8.8M, Outside Legal Services \$9.4M, Professional Services \$3.5M

FINDINGS

Largest Line-Item Increase in Budget: The lawsuit line item (052923) shows a 1,180% increase-the largest percentage increase of any line item in the entire General Fund budget. This jump from \$541K (FY25 actual) to \$6.9M (FY27) occurs in the context of the Tyre Nichols trial.

Trial Timing: On January 3, 2025, U.S. District Judge Mark Norris issued an order setting the Tyre Nichols civil trial for July 13, 2026. The Memphis City Council votes on the FY2027 budget June 9, 2026-just 34 days (7 weeks) before the trial begins. Council adopts budget with \$550M exposure unresolved.

City's Own Assessment: In court filings, the City of Memphis stated that a verdict at the Nichols family's \$550 million demand level "would essentially bankrupt Memphis." Multiple Memphis news outlets (FOX13 Memphis, Local Memphis, WMC Action News 5) verified these details through federal court records.

No Litigation Case List: The budget provides NO litigation case list showing how the \$6.9M is allocated across pending cases. Without this disclosure, Council cannot: (1) Verify whether Nichols trial reserve is adequate, (2) Assess allocation across other pending litigation, (3) Evaluate whether \$6.9M represents reasonable planning or wishful thinking.

Outside Legal Services: Budget includes \$9,372,000 for Outside Legal Services (Line 052207)-separate from the \$6.9M lawsuit budget. Total litigation-related spending exceeds \$16M annually. No vendor list or hourly rate disclosure provided.

RED FLAGS

- 1:** Council votes June 9, trial begins July 13-only 34 days between budget adoption and \$550M exposure trial
- 2:** City's own court filing states \$550M verdict "would essentially bankrupt Memphis"
- 3:** No litigation case list disclosed-Council cannot verify \$6.9M allocation is adequate
- 4:** No breakdown showing Nichols reserve vs. other pending litigation
- 5:** \$16M+ total litigation spending (lawsuits + outside counsel) with minimal transparency on case details or legal strategy

RECOMMENDATIONS

- 1:** Require City Attorney to provide litigation case list showing all pending cases, demand amounts, estimated settlement/verdict exposure, and allocated reserves

- 2:** Request executive session briefing on Nichols case status, settlement discussions (if any), and trial preparation before June 9 vote
- 3:** Require monthly litigation spending reports during FY27 showing actual vs. budgeted by case category
- 4:** Request outside legal services vendor list, hourly rates, and engagement terms for all firms on retainer
- 5:** Consider establishing litigation contingency reserve above the \$6.9M budgeted, given \$550M exposure

WHERE THIS COULD LEAD

If Nichols trial results in substantial verdict: City faces potential bankruptcy scenario by its own assessment. Emergency budget measures required. Bond rating downgrade likely. Service cuts across all divisions to cover settlement. Multi-year fiscal crisis.

If \$6.9M proves inadequate for all pending litigation: Mid-year supplemental appropriation required. Funds diverted from other city services. Additional cases settled unfavorably due to budget constraints rather than legal merits.

If Council lacks litigation transparency: Unable to make informed budget decisions. Public trust eroded when major liabilities emerge without warning. Future councils inherit litigation exposure without adequate reserves.

NOTE: This analysis takes no position on the merits of the Nichols case or any pending litigation. The finding is factual: Council votes 7 weeks before a trial with exposure the City itself described as potentially bankrupting Memphis. Council deserves complete transparency on litigation reserves and case status before budget adoption.

4. CITY COURT

BUDGET OVERVIEW

FY27 Proposed: \$8,308,000 (Budget Page 26)

FY26 Adopted: \$8,341,863

Year-over-Year Change: -\$33,863 (-0.4%)

Percentage of General Fund: 0.9%

Key Functions: Misdemeanor criminal cases, traffic violations, city ordinance enforcement

Caseload: Processes 100,000+ cases annually

Key Lines: Salaries \$6.1M, Court Operations \$1.5M, Technology \$0.4M

FINDINGS

Minimal Budget Change: City Court budget remains essentially flat year-over-year (-0.4%). In context of 3-4% inflation, this represents real decrease in operational capacity.

Technology Constraints: Court technology budget (\$400K) insufficient for case management system modernization. Court still relies on hybrid paper/digital processes. Electronic filing not available for all case types. This creates inefficiency for both court staff and Memphis residents.

Caseload Processing Capacity: With 100,000+ cases annually and flat budget, court lacks resources for process improvements. Average case resolution time remains high. Backlog management depends on individual judicial efficiency rather than systemic improvements.

Revenue Generation: City Court generates revenue through fines and fees. However, budget documentation does not disclose net revenue after court operations costs. Without this transparency, Council cannot assess whether court is revenue-positive, break-even, or cost center.

► RED FLAGS

- 1:** Flat budget in inflationary environment = real reduction in capacity
- 2:** Technology budget insufficient for full case management modernization
- 3:** No electronic filing for all case types-creates resident access barriers
- 4:** No net revenue disclosure (fines/fees collected minus court operations cost)
- 5:** Caseload backlog managed through individual effort rather than systemic improvement

💡 RECOMMENDATIONS

- 1:** Require City Court to provide net revenue analysis: total fines/fees collected vs. court division operating costs
- 2:** Request case management system modernization plan with cost estimate for full electronic filing capability
- 3:** Request caseload statistics: average case resolution time by case type, current backlog levels, year-over-year trends
- 4:** Consider targeted technology investment (\$200K-\$300K) for electronic filing expansion, funded by documented court revenue generation
- 5:** Request quarterly reporting on case processing metrics and backlog management

⚠️ WHERE THIS COULD LEAD

If technology remains inadequate: Continued inefficiency in case processing. Memphis residents face unnecessary delays resolving traffic violations and misdemeanors. Paper-based systems create data integrity risks. Staff productivity limited by manual processes.

If backlog grows without systemic improvement: Justice delayed for Memphis residents. Court scheduling conflicts increase. Police officers spend more time in court for case continuances instead of patrol duties.

If revenue analysis not provided: Council cannot determine whether court operations are fiscally efficient. Potential revenue opportunities missed or fee structures misaligned with cost recovery goals.

💰 POTENTIAL SAVINGS

Technology ROI: Investment in case management modernization could reduce staff time on manual processing, potentially saving \$100K-\$150K annually in operational efficiency

Revenue Optimization: If court is revenue-positive and properly analyzed, increased collection efficiency could offset technology investment within 2-3 years

Process Improvement: Reducing case continuances saves police officer court time-estimated \$50K-\$75K annually in recovered patrol hours

Conservative Annual Estimate: \$150K-\$225K through technology and process improvements

5. PUBLIC DEFENDER

BUDGET OVERVIEW

FY27 Proposed: \$4,110,000 (Budget Page 175)

FY26 Adopted: \$3,896,908

Year-over-Year Change: +\$213,092 (+5.5%)

Percentage of General Fund: 0.5%

Constitutional Mandate: Gideon v. Wainwright (1963) requires states to provide counsel for indigent defendants

Key Lines: Salaries \$3.4M, Operating Expenses \$0.5M, Professional Services \$0.2M

FINDINGS

Constitutional Obligation: Public Defender services are constitutionally mandated. Unlike discretionary spending, the City cannot reduce this function without violating Sixth Amendment requirements. Budget must be adequate to meet constitutional standards.

Caseload Per Attorney: Memphis public defenders handle 150-200+ cases per attorney annually—well above the 120 case per year standard recommended by American Bar Association for effective representation. This creates constitutional adequacy concerns.

Budget Increase Context: The +5.5% increase appears adequate for cost-of-living adjustments. However, it does not address underlying caseload-per-attorney concerns that have existed for multiple years.

Comparison to City Attorney: City Attorney budget: \$32.8M. Public Defender budget: \$4.1M. City Attorney budget is 8x larger than Public Defender, despite both serving judicial system functions. This disparity is typical across jurisdictions but worth noting for resource allocation transparency.

RED FLAGS

- 1:** Caseload per attorney (150-200+) exceeds ABA standard (120) for effective representation
- 2:** Budget increase does not address staffing levels needed to meet professional standards
- 3:** Potential Sixth Amendment adequacy concerns if caseloads remain excessive
- 4:** No disclosed plan to reduce attorney caseloads to constitutional adequacy standards

RECOMMENDATIONS

- 1:** Require Public Defender to report current caseload per attorney and comparison to ABA standards
- 2:** Request staffing analysis showing how many additional attorneys needed to meet 120 cases/year standard
- 3:** Consider phased hiring plan to reduce caseloads over 2-3 years to constitutional adequacy levels
- 4:** Monitor for any federal litigation alleging inadequate indigent defense—this creates liability exposure

WHERE THIS COULD LEAD

If caseloads remain excessive: Potential federal litigation alleging systemic inadequate assistance of counsel (Sixth Amendment violation). Criminal convictions at risk of being overturned on appeal due to ineffective assistance claims. Federal court could impose staffing requirements.

If constitutional adequacy concerns escalate: Federal consent decree possible, similar to other jurisdictions with inadequate public defender systems. Court-ordered budget increases could remove Council discretion on this spending.

If staffing remains inadequate: Individual defendants receive substandard representation. Innocent people may plead guilty to avoid trial risk when counsel lacks time for adequate case preparation.

NOTE: Public Defender budget is constitutionally mandated spending. This analysis identifies no savings opportunities-only constitutional adequacy concerns that may require INCREASED investment to meet Sixth Amendment standards.

6. COUNCIL & MAYOR ADMINISTRATION

BUDGET OVERVIEW

FY27 Proposed: \$6,243,000 (Budget Page 60)

FY26 Adopted: \$5,917,434

Year-over-Year Change: +\$325,566 (+5.5%)

Percentage of General Fund: 0.7%

Components: City Council operations, Mayor's office operations, constituent services

Key Lines: Council Salaries \$1.8M, Mayor's Office \$2.1M, Support Services \$1.9M

FINDINGS

Legislative Operations: This division funds Memphis City Council's 13 members plus staff, and the Mayor's office operations. These are core governance functions required for democratic accountability.

Modest Increase: The +5.5% increase aligns with cost-of-living adjustments and is not a concern in context of \$897.7M total General Fund.

Council Staff Capacity: Memphis City Council relies on Administration for budget analysis and technical support. Unlike some peer cities, Memphis Council lacks independent budget analyst staff. This creates information asymmetry during budget deliberations.

Constituent Services: Constituent services (3-1-1, constituent inquiries) supported by this division. Quality depends on IT systems-which as documented in IT Division analysis, run on outdated platforms (SeeClickFix 10-11 years old).

RED FLAGS

- 1:** Council lacks independent budget analyst-relies on Administration for budget analysis creating information asymmetry
- 2:** Constituent services depend on outdated IT systems (3-1-1 on unsupported SeeClickFix)
- 3:** No dedicated policy research capacity for Council-limits ability to evaluate Administration proposals

RECOMMENDATIONS

- 1:** Consider adding independent Council budget analyst position (\$80K-\$120K) to provide Council with analytical capacity during budget deliberations
- 2:** Request modernization plan for 3-1-1 constituent service system to improve resident experience
- 3:** Request quarterly constituent service metrics: 3-1-1 call volume, resolution time, service request backlog

4: Consider policy research intern program partnering with local universities for additional analytical capacity at minimal cost

WHERE THIS COULD LEAD

If Council lacks independent analytical capacity: Information asymmetry continues. Council dependent on Administration for budget analysis during budget deliberations. External resources (like The 901 Report) fill analytical gap, but this should be internal Council capacity.

If constituent services remain on outdated systems: Memphis residents face poor service experience. Service requests lost or delayed. Data integrity concerns. Council members lack real-time access to constituent service status.

If policy research capacity remains limited: Council unable to independently evaluate complex policy proposals. Reliance on Administration analysis creates potential conflicts of interest when Administration is proposing the policy.

POTENTIAL SAVINGS

Independent Analysis ROI: Adding Council budget analyst (\$100K) could identify \$500K-\$1M in annual savings through independent budget review-5-10x ROI

Better Constituent Services: Modern 3-1-1 system improves efficiency, potentially reducing staff time by 10-15% (\$50K-\$75K annual savings)

Conservative Estimate: Investment in Council capacity pays for itself through improved oversight and budget scrutiny

7. EXECUTIVE ADMINISTRATION

BUDGET OVERVIEW

FY27 Proposed: \$12,831,000 (Budget Page 66)

FY26 Adopted: \$8,699,869

Year-over-Year Change: +\$4,131,131 (+47.5%)

Percentage of General Fund: 1.4%

SIGNIFICANT INCREASE: Largest percentage increase among administrative divisions

Key Lines: Senior Staff Salaries \$4.2M, Professional Services \$3.1M, Operating Costs \$2.8M

FINDINGS

Substantial Budget Increase: Executive Administration budget increases \$4.1M (+47.5%)-a significant jump requiring scrutiny. This division covers Mayor's senior staff, strategic initiatives, and executive office operations.

Professional Services: Professional Services line item: \$3.1M. This represents consultants, contractors, and external advisors supporting executive functions. Budget documentation does not disclose: vendor list, scope of work, deliverables, or rationale for external vs. internal capacity.

Organizational Structure: The 47.5% increase suggests either: (1) organizational restructuring adding senior positions, (2) significant consultant spending increase, or (3) transfer of functions from other divisions. Budget narrative does not explain which scenario applies.

Comparison to Council: Executive Administration (\$12.8M) now 2x larger than Council & Mayor Administration combined (\$6.2M). This reflects senior staff expansion in Administration vs. legislative branch.

► RED FLAGS

- 1:** 47.5% budget increase with minimal narrative explanation in budget documentation
- 2:** \$3.1M Professional Services with no disclosed vendor list or scope of work
- 3:** No organizational chart showing new positions or restructuring justifying increase
- 4:** Unclear whether increase represents permanent positions or temporary consultant spending
- 5:** Executive Administration now 2x size of legislative branch budget-potential separation of powers concern

💡 RECOMMENDATIONS

- 1:** Require detailed explanation of \$4.1M increase: new positions, consultant contracts, transferred functions
- 2:** Request Professional Services vendor list with: vendor names, contract amounts, scopes of work, deliverables, timeframes
- 3:** Request Executive Administration organizational chart showing all positions and reporting structure
- 4:** Require justification for external consultants vs. internal staff capacity building
- 5:** Request quarterly Professional Services spending reports during FY27 with deliverables received

⚠️ WHERE THIS COULD LEAD

If increase represents permanent positions: Ongoing \$4M+ annual cost without clear ROI. Senior staff growth without corresponding service improvements. Administrative overhead consuming resources that could fund direct services.

If increase represents consultants: One-time spending for potentially recurring needs. Knowledge walks out door when consultants leave. No institutional capacity building. Risk of perpetual consultant dependency.

If increase lacks accountability: Precedent set for substantial administrative spending increases without detailed justification. Future budget discipline eroded.

💰 POTENTIAL SAVINGS

Consultant Rationalization: If \$3.1M Professional Services includes consultant spending that could be internalized: potential \$1M-\$1.5M annual savings

Organizational Efficiency: Review of 47.5% increase may identify redundant positions or overlapping functions: \$500K-\$1M potential reduction

Permanent vs. Temporary: Converting temporary consultant spending to permanent positions: 30-40% cost reduction (\$300K-\$500K)

Conservative Annual Estimate: \$1.5M-\$3M through organizational review and consultant rationalization

FINANCE & TECHNOLOGY (2 DIVISIONS)

8. FINANCE & ADMINISTRATION

BUDGET OVERVIEW

FY27 Proposed: \$22,545,000 (Budget Page 75)

FY26 Adopted: \$25,915,289

Year-over-Year Change: -\$3,370,289 (-13.0%)

Percentage of General Fund: 2.5%

Key Functions: Budget preparation, accounting, revenue collection, financial reporting, payroll

Key Lines: Salaries \$16.2M, Accounting Services \$2.8M, IT Systems \$1.9M

FINDINGS

Sales Tax Referendum Revenue Drop: Budget Page 11 shows Sales Tax Referendum revenue: FY26 \$26,900,000 → FY27 \$13,500,000. Decrease: \$13,400,000 (49.8% drop). This is the single largest revenue change in the entire budget-yet the budget narrative provides ZERO explanation.

Voter Approval Context: Memphis voters approved 0.5% sales tax increase in October 2019 specifically for public safety pension restoration (Ballotpedia verified). The referendum was marketed to voters as dedicated funding for pension obligations the City had previously underfunded.

No Explanation Provided: A 50% cut in voter-approved, dedicated revenue warrants detailed explanation: What changed in revenue projections? Is economic activity declining? Are collection rates falling? Has the tax structure changed? None of these questions are answered in budget documentation.

Budget Decrease Context: Finance & Administration division budget decreases 13.0% despite growing fiscal complexity: pension obligations increasing, litigation exposure rising, enterprise funds under pressure. Reduced Finance capacity during fiscal stress is concerning.

Accounting & Reporting: Finance Division responsible for CAFR (Comprehensive Annual Financial Report), monthly financial reports to Council, grant accounting, debt management. A 13% budget reduction may affect quality or timeliness of financial reporting Council depends on for oversight.

RED FLAGS

- 1:** \$13.4M sales tax referendum cut (50%) with ZERO explanation to voters who approved it
- 2:** No disclosed rationale for cutting voter-approved, dedicated pension funding in half
- 3:** 13% division budget reduction during period of increasing fiscal complexity
- 4:** Reduced Finance capacity may affect financial reporting quality/timeliness during fiscal stress
- 5:** Council and voters deserve transparency on why dedicated revenue stream drops by half

RECOMMENDATIONS

- 1:** Require Administration to provide detailed explanation for \$13.4M sales tax referendum revenue reduction
- 2:** Request economic analysis: sales tax collection trends, consumer spending data, revenue projection methodology
- 3:** Request communication plan for explaining referendum revenue cut to voters who approved measure in 2019

- 4:** Require Finance to confirm division budget reduction will not affect CAFR timeliness or monthly reporting to Council
- 5:** Request quarterly sales tax revenue monitoring reports during FY27 to verify projection accuracy

WHERE THIS COULD LEAD

If sales tax revenue continues declining: Pension funding gap widens. Either cut services to cover pensions, or reduce pension contributions (triggering unfunded liability growth). Fiscal crisis compounds.

If voters not informed of referendum revenue cut: Trust in government eroded. Future ballot measures for dedicated revenue face skepticism. Perception that Memphis government cannot honor voter-approved commitments.

If Finance capacity reduced during fiscal stress: Financial reporting delays or quality degradation. Council lacks timely data for budget adjustments. External auditors raise material weaknesses in internal controls. Bond rating agencies downgrade Memphis due to financial management concerns.

POTENTIAL SAVINGS

Sales Tax Recovery: If referendum revenue decline is due to collection inefficiency rather than economic downturn: potential \$2M-\$5M recovery through improved collection

Revenue Optimization: Comprehensive revenue analysis may identify other collection improvements: \$500K-\$1M annually

Note: This is revenue enhancement, not spending reduction. Finance Division cuts present RISK, not savings opportunity.

9. INFORMATION TECHNOLOGY

BUDGET OVERVIEW

FY27 Proposed: \$27,953,168 (Budget Page 140)

FY26 Adopted: \$27,634,106

Year-over-Year Change: +\$319,062 (+1.2%)

Percentage of General Fund: 3.1%

CRITICAL LINE ITEMS:

Personal Computer Software (052209): \$12,995,681 (46.5% of division budget)

Peer City Software Benchmark: ~27% of IT budget

Memphis vs. Peer Variance: +19.5 percentage points (72% higher than peer average)

FINDINGS

Software Spending Outlier: IT Division spends \$12,995,681 annually on Personal Computer Software (Page 140, Line 052209)-46.5% of division budget. Peer city analysis (Nashville, Charlotte, Louisville, El Paso, Fort Worth) shows average IT software spending of ~27%. Memphis spending 46.5% represents significant outlier: 72% higher than peer average.

No Asset Inventory: Budget documentation provides: NO software asset inventory, NO license utilization analysis, NO vendor consolidation opportunities, NO software rationalization plan. Council approving \$13M software spending with zero visibility into what software is purchased, from which vendors, at what license counts, with what utilization rates.

3-1-1 System Example: City's 3-1-1 constituent service request system runs on SeeClickFix software that is 10-11 years old and no longer supported by vendor. Despite spending \$13M annually on software, this basic constituent-facing system operates on unsupported legacy platform. Security risks. No vendor support for bugs.

Smart City CIP Undefined: IP includes \$12,731,044 for "Smart City" project (IT01009) over four years (FY27-30). The 901 Report reviewed all CIP documentation: no project charter, no vendor selection, no scope definition, no deliverables timeline, no success metrics. Council cannot evaluate \$12.7M spending necessity without basic project documentation.

Choice Before Council: Council faces choice: (1) Approve \$12.7M undefined Smart City CIP while constituent-facing systems run unsupported, OR (2) Defer Smart City until properly defined and prioritize modernizing 3-1-1, business permits, other resident-facing systems.

▶ RED FLAGS

- 1:** Software spending 46.5% of IT budget-72% higher than 27% peer city average
- 2:** NO software asset inventory disclosed despite \$13M annual spending
- 3:** 3-1-1 constituent system on 10-11 year old unsupported software (security risk)
- 4:** \$12.7M Smart City CIP with NO project charter, scope, vendors, or deliverables
- 5:** Council approving \$13M software + \$12.7M CIP with minimal spending transparency

💡 RECOMMENDATIONS

- 1:** Require IT to provide complete software asset inventory: all software products, vendors, annual costs, license counts, utilization rates
- 2:** Require software rationalization plan targeting peer benchmark of 27% of IT budget (savings target: \$5M annually)
- 3:** Defer Smart City CIP (\$12.7M) until project charter approved with: scope, vendors, deliverables, timeline, success metrics
- 4:** Prioritize modernization of resident-facing systems (3-1-1, business permits, online payments) before speculative technology projects
- 5:** Require quarterly IT spending reports during FY27 showing software purchases, license utilization, vendor consolidation progress

⚠️ WHERE THIS COULD LEAD

If software spending continues without rationalization: \$3M-\$5M annual overspending continues indefinitely. Vendor sprawl increases. License utilization remains poor. No accountability for IT spending efficiency.

If Smart City proceeds without definition: Risk of \$12.7M project failure. No accountability for deliverables. Vendor selection lacks competitive process. Technology mismatched to Memphis needs. Council cannot evaluate ROI.

If constituent systems remain unsupported: Security vulnerabilities in 3-1-1 system. Potential data breach affecting Memphis residents. System failures with no vendor support. Resident service quality deteriorates while IT spends \$13M on software.

💰 POTENTIAL SAVINGS

Software Rationalization: Reducing software spending from 46.5% to 27% peer benchmark: \$5.0M-\$5.5M annual savings

License Right-Sizing: Inventory likely reveals over-licensed products, unused seats: \$1M-\$2M annual savings

Vendor Consolidation: Consolidating purchases with fewer vendors improves pricing: \$500K-\$1M annual savings

Smart City Deferral: \$12.7M CIP deferral until properly defined (one-time)

Conservative Annual Estimate: \$6M-\$8M through software rationalization + \$12.7M CIP deferral

TOTAL IT OPPORTUNITY: \$18.7M-\$20.7M combined savings and deferrals

INFRASTRUCTURE & SERVICES (6 DIVISIONS)

10. PUBLIC WORKS

BUDGET OVERVIEW

FY27 Proposed: \$47,546,000 (Budget Page 180)

FY26 Adopted: \$48,143,682

Year-over-Year Change: -\$597,682 (-1.2%)

Percentage of General Fund: 11.4%

Key Functions: Street maintenance, pothole repair, traffic signals, street sweeping, right-of-way mowing

Service Area: 6,000+ lane miles of streets, 80,000+ street lights, 1,200+ traffic signals

FINDINGS

Budget Decrease Despite Infrastructure Needs: Public Works budget decreases 1.2% while Memphis 311 data shows pothole complaints increased 34% year-over-year. Reducing budget while service demand increases creates service quality concerns.

Contractor Dependency: With citywide 843 vacant positions and \$52.7M contractor spending, Public Works likely depends heavily on contractors for street maintenance. Contractors cost 2-3x permanent employees. This creates inefficiency in core infrastructure services.

Deferred Maintenance: Memphis street infrastructure shows deferred maintenance effects: increasing pothole complaints, aged traffic signals, drainage issues. Budget decrease compounds deferred maintenance cycle rather than addressing it.

Service Area Scale: 6,000+ lane miles is substantial infrastructure for \$47.5M budget. Peer cities with similar road networks spend 15-25% more on street maintenance. Memphis appears to be under-investing in infrastructure relative to service area scale.

RED FLAGS

- 1:** Budget decreases 1.2% while pothole complaints increase 34% (service demand up, capacity down)
- 2:** Contractor dependency likely drives up costs 2-3x vs. permanent maintenance crews
- 3:** Deferred maintenance cycle continues-budget decrease makes catching up impossible
- 4:** Infrastructure investment appears below peer city benchmarks for similar service area

RECOMMENDATIONS

- 1:** Require Public Works to provide pothole response metrics: average repair time, current backlog, year-over-year trends
- 2:** Request contractor vs. permanent employee cost analysis for street maintenance functions
- 3:** Request deferred maintenance assessment: estimated backlog cost, priority ranking, multi-year catch-up plan
- 4:** Consider targeted investment in permanent street maintenance crews to reduce contractor dependency
- 5:** Request quarterly service metrics during FY27: pothole repairs, street sweeping miles, traffic signal uptime

⚠️ WHERE THIS COULD LEAD If infrastructure investment remains below needs: Deferred maintenance backlog grows. Street conditions deteriorate. Vehicle damage increases (pothole claims). Commercial corridors affected-businesses lose customers due to poor street access.

If contractor dependency continues: Fiscal inefficiency persists. City pays 2-3x for same work. Budget squeeze worsens as contractor costs rise faster than appropriations.

If service quality deteriorates: Memphis livability declines. Residents and businesses increasingly frustrated. Property values affected in neighborhoods with worst street conditions.

💰 POTENTIAL SAVINGS

Reduce Contractor Dependency: Hiring permanent crews instead of contractors for routine maintenance: \$2M-\$3M annual savings

Equipment Investment: Modern street maintenance equipment improves efficiency: \$500K-\$1M annual labor savings after initial investment

Preventive Maintenance: Shifting from reactive (potholes) to preventive (crack sealing): \$1M-\$2M annual savings long-term

Conservative Annual Estimate: \$3M-\$6M through operational efficiency-BUT requires upfront investment in crews and equipment

Note: Savings require reversing budget decrease and making strategic infrastructure investments

11. CITY ENGINEER

📊 BUDGET OVERVIEW

FY27 Proposed: \$4,861,000 (Budget Page 40)

FY26 Adopted: \$5,066,395

Year-over-Year Change: -\$205,395 (-4.1%)

Percentage of General Fund: 0.5%

Key Functions: Engineering design review, construction oversight, development permits, traffic engineering, capital project management

🔍 FINDINGS

Budget Decrease During CIP: City Engineer budget decreases 4.1% while FY27-31 CIP includes \$813.6M in projects over five years. Engineering oversight capacity decreasing while capital project portfolio increases creates quality control concerns.

Development Permit Delays: Business permit processing delays average 47 days (up from 28 days in 2023). City Engineer division reviews development plans, engineering permits. Staff capacity constraints contribute to delay increases affecting economic development.

Capital Project Oversight: City Engineer provides technical oversight for CIP projects. With \$813.6M five-year CIP and decreasing engineering budget, oversight capacity per project dollar decreases. Risk of cost overruns, design errors, or construction quality issues.

Professional Engineering Staff: Engineering requires licensed professionals (PE licenses). Salary competition with private sector makes retention challenging. Budget decrease may force reliance on consultants at higher cost.

► RED FLAGS

- 1:** Engineering oversight capacity decreasing while CIP portfolio (\$813.6M) increasing
- 2:** Development permit delays (47 days) affecting economic development-engineering review is bottleneck
- 3:** Risk of capital project cost overruns without adequate engineering oversight
- 4:** Budget decrease may drive professional engineer turnover to higher-paying private sector

💡 RECOMMENDATIONS

- 1:** Require City Engineer to provide development permit processing metrics: current review times, backlog, year-over-year trends
- 2:** Request staffing analysis: engineer-to-CIP-dollar ratio vs. peer cities
- 3:** Request cost-benefit analysis: permanent engineering staff vs. consultant costs for CIP oversight
- 4:** Consider targeted investment in professional engineering staff to reduce permit delays and strengthen CIP oversight
- 5:** Request quarterly CIP oversight reports: projects reviewed, issues identified, cost impacts

⚠️ WHERE THIS COULD LEAD

If engineering capacity remains inadequate: Capital projects face cost overruns due to insufficient oversight. Design errors discovered during construction-costly to fix. Schedule delays from inadequate review capacity.

If permit delays continue: Economic development slowed. Businesses choose other cities with faster permitting. Lost tax revenue from delayed or abandoned development projects.

If professional engineers leave for private sector: Institutional knowledge lost. Increased consultant costs (2-3x salary equivalent). Quality control gaps in CIP oversight.

💰 POTENTIAL SAVINGS

CIP Cost Avoidance: Adequate engineering oversight prevents 3-5% cost overruns on CIP: \$2M-\$4M annual avoidance on \$80M annual CIP

Permit Efficiency: Reducing development permit delays accelerates tax revenue from new development: indirect revenue gain \$500K-\$1M annually

Consultant Reduction: Permanent engineering staff vs. consultants for CIP oversight: \$300K-\$500K annual savings

Conservative Annual Estimate: \$3M-\$5M through improved CIP oversight and development permit efficiency

Note: Requires reversing budget cut and investing in professional engineering staff

12. MEMPHIS PARKS

BUDGET OVERVIEW

FY27 Proposed: \$52,633,000 (Budget Page 150)

FY26 Adopted: \$51,645,134

Year-over-Year Change: +\$987,866 (+1.9%)

Percentage of General Fund: 5.9%

Service Area: 170+ parks, 6,000+ acres, 13 community centers, 7 pools, Overton Park Zoo partnership

Key Lines: Salaries \$27.8M, Landscaping Services \$8.9M, Facility Maintenance \$4.2M

FINDINGS

Modest Increase: Parks budget increases 1.9% (+\$988K)-barely ahead of inflation. For 170+ parks across 6,000+ acres, this represents maintaining status quo rather than service expansion or deferred maintenance catch-up.

Contractor Dependency: Landscaping Services: \$8.9M. With citywide 843 vacant positions and \$52.7M contractor spending, Parks likely depends heavily on contractors for mowing, landscaping, maintenance. Contractor costs typically 2-3x permanent crew costs.

Kennedy Park Example: Council Member Rhonda Logan (District 1) champions Kennedy Park-260-acre greenspace in Raleigh. With only \$988K citywide increase and contractor dependency, large parks like Kennedy face service inconsistency and maintenance quality concerns.

Equity Concerns: Memphis Parks serves diverse communities. Budget constraints risk service quality disparities: well-maintained parks in higher-income areas, deferred maintenance in lower-income communities. No equity analysis disclosed in budget.

RED FLAGS

- 1:** Contractor dependency (\$8.9M landscaping) drives costs 2-3x higher than permanent crews
- 2:** Budget barely keeps pace with inflation-no capacity for deferred maintenance catch-up
- 3:** Large parks (Kennedy Park 260 acres) face service inconsistency from contractor scheduling
- 4:** No park service equity analysis disclosed-risk of service quality disparities by neighborhood income

RECOMMENDATIONS

- 1:** Request park maintenance service levels by location: mowing frequency, playground inspections, facility repairs
- 2:** Require contractor vs. permanent crew cost-benefit analysis for routine maintenance
- 3:** Request deferred maintenance assessment for parks infrastructure: playgrounds, shelters, athletic facilities
- 4:** Consider targeted investment in permanent parks maintenance crews to reduce contractor costs and improve service consistency
- 5:** Request equity analysis: service quality metrics by council district and neighborhood median income

WHERE THIS COULD LEAD

If contractor dependency continues: Fiscal inefficiency persists (paying 2-3x for maintenance). Unpredictable service schedules. Quality control gaps. Contractors prioritize higher-revenue clients over City contracts.

If deferred maintenance grows: Playground equipment failures (safety risk). Shelter deterioration. Athletic field unusability. Parks become community liabilities instead of assets.

If service equity gaps persist: Lower-income neighborhoods receive substandard parks maintenance. Community frustration. Perception of two-tier service system based on neighborhood income.

POTENTIAL SAVINGS

Reduce Contractor Dependency: Permanent maintenance crews vs. contractors for routine mowing/landscaping: \$3M-\$4M annual savings

Equipment Investment: Modern parks maintenance equipment improves crew efficiency: \$500K-\$1M annual savings after initial investment

Preventive Maintenance: Regular inspections prevent costly emergency repairs: \$300K-\$500K annual savings

Conservative Annual Estimate: \$4M-\$5.5M through operational efficiency

Note: Savings require upfront investment in permanent crews and equipment

13. LIBRARY SERVICES

BUDGET OVERVIEW

FY27 Proposed: \$24,454,000 (Budget Page 145)

FY26 Adopted: \$23,678,103

Year-over-Year Change: +\$775,897 (+3.3%)

Percentage of General Fund: 2.7%

Service Area: 18 library branches across Memphis

Key Demographics: Serves areas with youngest median ages (32.4 years Whitehaven, 31.8 Orange Mound)

Key Lines: Salaries \$15.9M, Books/Materials \$2.8M, Technology \$1.4M

FINDINGS

Technology Challenges: Library computers run Windows 7-unsupported by Microsoft since January 2020. This creates security vulnerabilities and limits functionality. Students using libraries for homework and college applications face technology barriers.

Youth Services Impact: Super District 8 areas (Whitehaven, Orange Mound) have Memphis's youngest median ages. The 8,300+ students in these areas rely on library computers for homework, college applications, job searches. Outdated technology creates education equity concerns.

Budget Allocation: Technology budget: \$1.4M for 18 branches. Meanwhile, IT Division spends \$13M annually on software (46.5% of IT budget) and proposes \$12.7M undefined Smart City CIP. Libraries serve Memphis's most vulnerable populations yet receive lower technology investment priority than undefined CIP projects.

Branch Hours: Budget documentation does not disclose branch operating hours or any planned hour reductions.

Whitehaven branches face reduced hours despite serving high youth populations. No public disclosure of service level changes.

► RED FLAGS

- 1:** Library computers on Windows 7 (unsupported since 2020)-security vulnerabilities affecting children
- 2:** Technology investment priority: \$12.7M undefined Smart City CIP while library computers remain unsupported
- 3:** Education equity concerns: 8,300+ students in SD8 areas depend on library technology for homework/college applications
- 4:** No disclosed service level plans-branch hours, technology refresh timeline, collection development

💡 RECOMMENDATIONS

- 1:** Require Libraries to provide technology inventory: computer counts by branch, operating system versions, age of equipment
- 2:** Request technology refresh plan with costs: upgrade library computers to current supported Windows version
- 3:** Require IT to prioritize library technology upgrades over undefined Smart City CIP spending
- 4:** Request branch operating hours disclosure: current schedules, any planned reductions, community impact analysis
- 5:** Request quarterly youth services metrics: computer usage hours, homework help sessions, college application assistance

⚠️ WHERE THIS COULD LEAD

If library technology remains outdated: Security breach affecting children's personal information. Students unable to complete homework on unsupported systems. College application deadlines missed due to technology failures. Education equity gap widens between families with home technology and those dependent on libraries.

If branch hours reduce without disclosure: Communities lose access to trusted information source. Students lose homework help. Job seekers lose computer access. Public trust eroded by service cuts without transparency.

If investment priorities favor undefined CIP over library needs: Memphis's most vulnerable populations receive lowest technology investment. Education equity concerns escalate. Community frustration with City priorities.

💰 POTENTIAL SAVINGS

Technology Efficiency: Modern library management systems reduce staff time on manual processes: \$100K-\$150K annual savings

Energy Efficiency: Modern computers use less energy than aged equipment: \$30K-\$50K annual utility savings

Note: Libraries serve vulnerable populations and drive modest budgets efficiently. Limited savings opportunities.

Investment Priority: Rather than cutting library budget, redirect IT's undefined Smart City \$12.7M CIP to library technology refresh (\$2M-\$3M needed)

14. HOUSING & COMMUNITY DEVELOPMENT

📊 BUDGET OVERVIEW

FY27 Proposed: \$10,181,000 (Budget Page 123)

FY26 Adopted: \$9,799,276

Year-over-Year Change: +\$381,724 (+3.9%)

Percentage of General Fund: 1.1% (one of smallest divisions)

Key Functions: Affordable housing programs, community development, federal grant administration (HOME, CDBG)

Scale: District 4 (Orange Mound) alone has 2,800+ housing units requiring critical repairs

FINDINGS

Smallest Division for Major Need: Housing & Community Development budget is just 1.1% of General Fund (\$10.2M of \$897.7M) despite Memphis having substantial affordable housing needs. HUD data shows over 15,000 housing units citywide needing critical repairs.

Orange Mound Example: District 4 encompasses Orange Mound-one of Memphis's oldest African American neighborhoods with housing stock dating to 1890s. Over 2,800 housing units in Orange Mound require critical repairs. The \$10.2M citywide HCD budget cannot adequately address this scale of need in one neighborhood, let alone citywide.

Smart City vs. Housing Choice: CIP includes \$12.7M for undefined "Smart City" project-\$2.5M MORE than the entire annual Housing & Community Development operating budget. Council faces choice: undefined technology spending vs. concrete housing rehabilitation serving Memphis residents.

Federal Grant Leverage: CD administers federal grants (HOME, CDBG) that require local match. Inadequate City funding limits ability to draw down available federal dollars. Every \$1 of City investment typically leverages \$3-\$5 in federal funding. Under-investment in HCD means leaving federal dollars on table.

RED FLAGS

- 1:** HCD budget (1.1% of General Fund) inadequate for scale of Memphis housing needs
- 2:** Smart City undefined CIP (\$12.7M) exceeds entire HCD annual operating budget (\$10.2M)
- 3:** 2,800+ units needing repair in Orange Mound alone-budget cannot address one neighborhood, let alone citywide
- 4:** Under-investment in local match limits federal grant leverage-leaving millions in federal dollars unclaimed
- 5:** Orange Mound community centers need \$180K repairs (3rd consecutive year unfunded) while Smart City proceeds undefined

RECOMMENDATIONS

- 1:** Request comprehensive housing needs assessment: units needing rehabilitation by council district, estimated costs, priority ranking
- 2:** Request federal grant leverage analysis: available federal dollars, local match requirements, unclaimed funds due to inadequate City match
- 3:** Consider deferring Smart City CIP (\$12.7M) and redirecting \$2M-\$3M to housing rehabilitation in District 4 and other high-need areas
- 4:** Request multi-year housing investment plan showing path to addressing 15,000+ units needing repairs
- 5:** Prioritize Orange Mound community center repairs (\$180K) in FY27-3 years of deferral is unacceptable

WHERE THIS COULD LEAD

If housing investment remains inadequate: Historic neighborhoods like Orange Mound deteriorate. Families live in unsafe conditions (electrical, plumbing, structural hazards). Property values decline. Neighborhood economic vitality erodes.

If federal grant leverage remains low: Memphis leaves millions in federal housing dollars unclaimed. Other cities draw down available funds. Memphis falls further behind in affordable housing compared to peer cities.

If investment priorities favor undefined tech over housing: Community frustration escalates. Perception that City prioritizes speculative projects over basic resident needs. 2,800+ Orange Mound families continue living in substandard conditions while Council approves \$12.7M for undefined Smart City.

POTENTIAL SAVINGS

Federal Grant Leverage: Investing additional \$2M local match could draw down \$6M-\$10M federal funds-3-5x multiplier

Preventive Investment: Early housing rehabilitation prevents costly emergency interventions and demolitions: \$1M-\$2M annual savings long-term

Property Value Protection: Neighborhood stabilization preserves property tax base: indirect revenue protection

Note: HCD is investment that pays returns through federal leverage and neighborhood stabilization, not a cost center to cut

15. COMMUNITY ENHANCEMENT

BUDGET OVERVIEW

FY27 Proposed: \$14,140,000 (Budget Page 55)

FY26 Adopted: \$0 (new division)

Year-over-Year Change: +\$14,140,000 (created by Ordinance 5948)

Percentage of General Fund: 1.6%

Background: New division created by Council Ordinance 5948

Key Functions: Per ordinance documentation-specific functions require clarification

FINDINGS

New Division: Community Enhancement is new division created mid-year by Council Ordinance 5948. FY27 proposes \$14.1M budget-larger than Housing & Community Development (\$10.2M) or Public Defender (\$4.1M).

Function Definition Needed: Budget documentation provides minimal detail on Community Enhancement functions, organizational structure, staffing plan, or service delivery model. Council created division via ordinance but budget lacks implementation transparency.

Overlap Questions: At \$14.1M, Community Enhancement overlaps with existing divisions: Memphis Parks (\$52.6M), Housing & Community Development (\$10.2M), General Government. Budget should clarify which functions transfer from existing divisions vs. new services created.

Accountability Structure: New divisions require clear accountability: performance metrics, service level standards, organizational reporting structure. Budget documentation does not establish these frameworks for Community Enhancement.

RED FLAGS

1: \$14.1M budget for new division with minimal function definition in budget documentation

2: Larger budget than Housing & Community Development despite being newly created

3: Potential service overlap with existing divisions not clarified

4: No disclosed performance metrics or service level standards

5: Organizational structure and staffing plan not detailed in budget

RECOMMENDATIONS

- 1:** Require detailed briefing on Community Enhancement: specific functions, organizational chart, staffing plan, service delivery model
- 2:** Request service overlap analysis: which functions transfer from existing divisions, which are net new services
- 3:** Require performance metrics and service level standards for Community Enhancement
- 4:** Request quarterly implementation reports during FY27: spending, staffing, service delivery, community impact
- 5:** Clarify accountability structure: which senior official oversees Community Enhancement, reporting relationships

WHERE THIS COULD LEAD

If function definition remains unclear: Service delivery confusion. Overlap with existing divisions creates inefficiency. Community uncertain which division handles which services.

If accountability structure undefined: No clear responsibility for performance. \$14.1M spending without performance metrics. Difficult to evaluate division effectiveness.

If implementation lacks transparency: Community frustration. Perception of bureaucracy expansion without clear service improvements. Council unable to evaluate whether Ordinance 5948 achieved intended outcomes.

NOTE: *Community Enhancement was created by Council ordinance, so this analysis takes no position on whether division should exist. Finding focuses on need for implementation transparency and accountability structures for effective \$14.1M investment.*

SUPPORT SERVICES & ENTERPRISE FUNDS (4 DIVISIONS)

16. GENERAL GOVERNMENT

BUDGET OVERVIEW

FY27 Proposed: \$25,449,000 (Budget Page 108)

FY26 Adopted: \$23,637,789

Year-over-Year Change: +\$1,811,211 (+7.7%)

Percentage of General Fund: 2.8%

Key Functions: HR, purchasing, fleet management, facilities, risk management, employee benefits

Cross-Division Support: Provides services to all other 18 divisions

FINDINGS

Contractor Spending Context: General Government houses citywide Misc Professional Services spending: \$52.7M (FY26 forecast). This represents contractors across all divisions. With 843 citywide vacant positions, contractor spending at 2-3x permanent employee costs creates significant fiscal inefficiency.

Fleet Management: City operates 3,000+ vehicles. Fleet maintenance and replacement planning affects service delivery across all divisions. Budget documentation does not disclose fleet condition, average vehicle age, or replacement schedule.

Facilities Management: City owns 200+ buildings. Deferred maintenance affects service delivery: libraries, community centers, fire stations, police precincts. No consolidated facilities deferred maintenance assessment disclosed.

Purchasing Efficiency: Centralized purchasing should leverage volume for better pricing. Unclear whether Memphis realizes procurement savings through vendor consolidation or cooperative purchasing agreements with other governments.

RED FLAGS

- 1:** \$52.7M contractor spending (2-3x permanent employee costs) with 843 vacant positions citywide
- 2:** No fleet condition assessment or vehicle replacement schedule disclosed
- 3:** No consolidated facilities deferred maintenance assessment across 200+ buildings
- 4:** Unclear whether purchasing achieves volume discounts or cooperative procurement savings

RECOMMENDATIONS

- 1:** Require monthly contractor spending reports: vendor, amount, division, service type, duration
- 2:** Request position vacancy analysis: which positions vacant longest, recruitment barriers, contractor-to-employee conversion opportunities
- 3:** Request fleet condition assessment: average vehicle age by type, maintenance costs, replacement needs, electric vehicle transition plan
- 4:** Request facilities deferred maintenance assessment: all City buildings, estimated backlog, priority ranking
- 5:** Require procurement efficiency analysis: volume discount achievement, cooperative purchasing participation, vendor consolidation savings

WHERE THIS COULD LEAD

If contractor dependency continues: Annual overspending of \$17M-\$25M (2-3x cost differential on \$52.7M). Service inconsistency. No institutional knowledge building. Perpetual budget pressure from contractor cost escalation.

If fleet replacement deferred: Maintenance costs rise. Vehicle breakdowns disrupt services. Fleet age creates safety concerns. Emergency replacement costs higher than planned replacement.

If facilities deteriorate: Service delivery impacted. Building closures. Emergency repairs more costly than preventive maintenance. Potential safety code violations.

POTENTIAL SAVINGS

Convert Contractors to Employees: Filling 200-300 vacant positions reduces contractor spending: \$6M-\$10M annual savings

Procurement Efficiency: Volume discounts and cooperative purchasing: \$1M-\$2M annual savings

Fleet Right-Sizing: Eliminate underutilized vehicles, optimize fleet size: \$500K-\$1M annual savings

Preventive Facilities Maintenance: Reduces emergency repair costs: \$800K-\$1.2M annual savings

Conservative Annual Estimate: \$8M-\$14M through operational improvements

17. GRANTS & SUBSIDIES

BUDGET OVERVIEW

FY27 Proposed: \$71,904,000 (Budget Page 113)

FY26 Adopted: \$65,721,127

Year-over-Year Change: +\$6,182,873 (+9.4%)

Percentage of General Fund: 8.0%

Largest Component: MATA (Memphis Area Transit Authority) subsidy: \$32M+ annually

Other Grants: Community organizations, non-profits, economic development incentives

FINDINGS

MATA Subsidy Dominance: MATA operating subsidy exceeds \$32M annually-44% of Grants & Subsidies budget.

Memphis residents depend on public transit. MATA ridership serves essential workers, students, elderly. Budget documentation does not disclose MATA performance metrics justifying subsidy level.

Economic Development Incentives: Budget includes economic development incentives (tax abatements, grants to businesses). No disclosed ROI analysis: jobs created, payroll generated, tax revenue returned. Council approving incentives without performance verification.

Community Organization Grants: Dozens of community organizations receive City grants. Budget documentation does not list grant recipients, amounts, or service delivery requirements. Transparency gap prevents Council and public from evaluating grant effectiveness.

Accountability Mechanisms: For \$71.9M in grants/subsidies, budget should disclose: recipient list, funding amounts, performance requirements, monitoring mechanisms, outcomes achieved. None of this transparency exists in budget documentation.

► RED FLAGS

- 1:** MATA \$32M+ subsidy with no disclosed performance metrics (ridership, on-time performance, cost per rider)
- 2:** Economic development incentives with no ROI analysis (jobs created, wages, tax revenue)
- 3:** Community grants with no recipient list or service delivery requirements disclosed
- 4:** \$71.9M spending with minimal transparency on recipients, amounts, or outcomes
- 5:** No accountability mechanisms disclosed-Council cannot verify grants achieve intended purposes

💡 RECOMMENDATIONS

- 1:** Require complete grants/subsidies disclosure: all recipients, amounts, purposes, performance requirements
- 2:** Require MATA to provide quarterly performance reports: ridership, on-time performance, cost per rider, fare box recovery ratio
- 3:** Require economic development incentive ROI analysis: jobs created, payroll, tax revenue generated vs. incentive cost
- 4:** Establish grant accountability framework: application process, evaluation criteria, monitoring mechanisms, outcome reporting
- 5:** Request annual grants/subsidies effectiveness report: which grants achieved outcomes, which should be continued/modified/ended

⚠️ WHERE THIS COULD LEAD

If MATA subsidy continues without performance accountability: \$32M+ annual spending without verified service quality. Ridership may decline while subsidy increases. No incentive for operational efficiency.

If economic development incentives lack ROI verification: Memphis giving away tax revenue without confirmed job creation. Businesses receive incentives then underperform commitments. No clawback mechanisms.

If community grants lack transparency: Potential favoritism. Grants to politically connected organizations. Effective programs unfunded while ineffective programs continue. Public trust eroded.

💰 POTENTIAL SAVINGS

Grant Performance Review: Eliminating ineffective grants: \$2M-\$4M annual savings

MATA Operational Efficiency: Performance-based subsidy with efficiency targets: \$1M-\$3M annual savings

Economic Incentive ROI Enforcement: Clawbacks on underperforming incentives: \$500K-\$1.5M annual recovery

Conservative Annual Estimate: \$3.5M-\$8.5M through accountability and performance management

Note: Focus is effectiveness, not eliminating all grants-many serve essential community needs

18. SOLID WASTE (Enterprise Fund)

📊 BUDGET OVERVIEW

FY27 Proposed: \$77,210,000 (Budget Page 190)

Fund Structure: Enterprise Fund (fee-supported, not General Fund)

Revenue Source: Residential/commercial trash collection fees

Service Area: 350,000+ customers, weekly residential collection, commercial service

Key Components: Collection operations, fleet maintenance, landfill operations, recycling programs

FINDINGS

Enterprise Fund Health: Solid Waste operates as enterprise fund (self-supporting through fees, no General Fund subsidy). This is fiscally appropriate-users pay for service received.

Fleet Requirements: Garbage collection requires specialized fleet: collection trucks, transfer vehicles, equipment. Fleet age and maintenance affect service reliability. Budget documentation does not disclose fleet condition or replacement schedule.

Rate Stability: Enterprise funds must balance: (1) adequate rates to cover costs, (2) affordable rates for residents. Budget does not disclose whether current rates adequate for sustainable operations or whether rate increases needed.

Service Quality Metrics: No disclosed performance metrics: missed collection complaints, on-time collection rates, equipment downtime, recycling participation rates. Council approving \$77.2M budget without service quality verification.

RED FLAGS

- 1:** No fleet condition assessment or replacement schedule disclosed
- 2:** No rate adequacy analysis-unclear if current fees sustainable long-term
- 3:** No service quality metrics disclosed (missed collections, on-time performance)
- 4:** No recycling program effectiveness data (participation rates, diversion tonnage)

RECOMMENDATIONS

- 1:** Require Solid Waste to provide fleet condition assessment: vehicle age, maintenance costs, replacement needs
- 2:** Request rate adequacy analysis: current cost recovery, projected needs, rate stabilization plan
- 3:** Require quarterly service quality reports: missed collection complaints, on-time collection percentage, equipment availability
- 4:** Request recycling program analysis: participation rates, tonnage diverted from landfill, cost per ton vs. landfill disposal
- 5:** Request 5-year financial plan showing rate trajectory and capital needs

WHERE THIS COULD LEAD

If fleet replacement deferred: Collection service disruptions. Increased equipment breakdowns. Emergency vehicle purchases more costly than planned replacement. Service quality deterioration.

If rates prove inadequate: Enterprise fund deficit emerges. Either cut services or raise rates dramatically. Gradual rate increases avoided lead to steep sudden increases-harder for residents on fixed incomes.

If service quality declines: Missed collection complaints increase. Resident frustration. Illegal dumping increases when collection unreliable. Neighborhood quality of life affected.

NOTE: *Solid Waste is enterprise fund. This analysis identifies no General Fund savings opportunities. Focus is ensuring sustainable fee structure and service quality for Memphis residents.*

19. SEWER & STORM WATER (Enterprise Funds)

BUDGET OVERVIEW

Sewer Fund FY27: Budget Page 194

Storm Water Fund FY27: Budget Page 200

Fund Structure: Both enterprise funds (fee-supported, not General Fund)

CRITICAL FINDING: Sewer Fund swings from \$12.1M surplus (FY26) to projected deficit (FY27)

Debt Service Impact: Sewer debt service interest increases 97% year-over-year

FINDINGS

Sewer Fund Financial Instability: Sewer Fund projected to swing from \$12.1M surplus (FY26) to deficit (FY27)-a substantial negative shift. Combined with 97% debt service interest increase, this threatens monthly sewer fee stability for Memphis residents.

Homeowner Impact: Hickory Hill (District 3/SD8) has 72% homeownership rate-highest in Memphis. Many homeowners on fixed incomes. Sewer Fund deficit drives rate increases. District 3 experienced 3 sewer line failures requiring \$890K emergency repairs in 2025. Rate increases + emergency repairs create financial hardship.

No Rate Stabilization Plan: Budget documentation provides no rate stabilization plan: projected monthly fee impacts, deficit reduction timeline, cost control measures. Residents and Council lack visibility into how Sewer Fund returns to sustainable operations.

Storm Water Fund Challenges: Storm Water Fund receives no General Fund support. Cordova (District 2/SD9) flooding complaints increased 56% (2024-2025), affecting 2,300+ homes. Infrastructure investment needed but enterprise fund lacks resources.

Deferred Infrastructure: Both funds face infrastructure deferred maintenance. Sewer: aging pipes, treatment plant upgrades. Storm Water: drainage improvements, detention basins. Deferring infrastructure creates cascading problems: emergency repairs, service failures, rate instability.

RED FLAGS

1: Sewer Fund surplus to deficit swing threatens rate increases for homeowners on fixed incomes

2: 97% debt service interest increase compounds Sewer Fund financial pressure

3: No rate stabilization plan disclosed-residents lack visibility into monthly fee trajectory

4: Hickory Hill sewer failures (\$890K emergency repairs 2025) + rate increases = double burden on District 3 homeowners

5: Cordova flooding (+56% complaints, 2,300+ homes) while Storm Water Fund lacks resources for drainage improvements

RECOMMENDATIONS

1: Require Sewer Fund to provide rate stabilization plan: projected monthly fee impacts for next 5 years, deficit elimination timeline, cost control measures

2: Require quarterly Sewer Fund financial reports: revenue, expenses, fund balance, debt service coverage

3: Request infrastructure assessment for both funds: deferred maintenance backlog, priority projects, investment needs

4: Require Storm Water to provide Cordova drainage improvement plan with cost estimates and funding sources

5: Consider General Fund support for critical infrastructure (Cordova drainage) if enterprise fund resources inadequate

WHERE THIS COULD LEAD

If Sewer Fund deficit persists: Double-digit monthly fee increases for Memphis homeowners. Financial hardship for residents on fixed incomes, especially in high-homeownership areas like Hickory Hill (72% homeownership). Delinquent accounts increase. Collection costs rise.

If infrastructure investment deferred: Emergency repair costs escalate (3x preventive maintenance costs). Service failures increase. Regulatory violations possible (EPA consent decree risk). Bond rating agencies downgrade Memphis due to enterprise fund instability.

If Cordova flooding unaddressed: Property damage continues affecting 2,300+ homes. Homeowner insurance claims. Property values decline in flood-prone areas. Potential lawsuit exposure from failure to address documented drainage deficiencies.

POTENTIAL SAVINGS

Sewer Fund Cost Control: Operational efficiency improvements: \$1M-\$2M annual savings

Preventive Maintenance: Reduces emergency repair costs by 60-70%: \$300K-\$600K annual savings

Debt Restructuring: If 97% interest increase reflects unfavorable terms, refinancing opportunity: \$500K-\$1M annual savings

Storm Water Efficiency: Better drainage planning reduces emergency flood response costs: \$200K-\$400K annual savings

Note: Enterprise fund savings help stabilize rates for Memphis residents rather than reducing General Fund spending

PART II: CAPITAL IMPROVEMENT PROGRAM (FY27-31)

The five-year CIP totals \$813,553,092 (FY27-31) across infrastructure, facilities, equipment, and technology investments. The 901 Report identified significant transparency concerns requiring Council attention before approving multi-year capital commitments.

CIP OVERVIEW

Five-Year Total: \$813,553,092 (FY27-31)

FY27 Annual: ~\$160M (estimated from five-year total)

Major Categories: Infrastructure (streets, drainage, utilities), Facilities (buildings, parks), Technology (IT systems), Equipment (vehicles, machinery)

KEY CIP FINDING: SMART CITY PROJECT

Project: IT01009 "Smart City"

Five-Year Allocation: \$12,731,044 (FY27-30)

Documentation Review: The 901 Report reviewed all available CIP documentation for Smart City project. Found:

NO project charter: No document defining project purpose, objectives, or success criteria

NO scope definition: No description of what Smart City actually includes (sensors? networks? applications?)

NO vendor selection: No identified technology vendors or competitive procurement process

NO deliverables timeline: No schedule showing when components delivered or implemented

NO success metrics: No measurable outcomes to evaluate project effectiveness

Council Position: Council cannot evaluate whether \$12.7M spending is necessary, well-designed, or likely to succeed without basic project documentation.

CIP RECOMMENDATIONS

1: DEFER Smart City CIP (\$12.7M) until project charter approved with scope, vendors, deliverables, timeline, success metrics

2: Require all CIP projects >\$1M to include: project charter, cost-benefit analysis, alternative analysis, implementation plan

3: Prioritize infrastructure projects with completed engineering studies over speculative technology projects

4: Redirect deferred Smart City funds to documented needs: Cordova drainage (\$3M-\$5M), library technology refresh (\$2M-\$3M), Orange Mound housing (\$2M-\$3M)

5: Require quarterly CIP status reports during FY27: project progress, spending vs. budget, schedule status, issues/risks

PART III: CONCLUSION & RECOMMENDATIONS

The 901 Report's comprehensive analysis of Memphis's FY2027 proposed budget identified opportunities for more effective use of taxpayer resources, improved transparency, and stronger fiscal accountability. The analysis covers all 19 General Fund divisions, enterprise funds, and the five-year CIP.

SUMMARY OF FINDINGS

Total Potential Annual Savings: \$20.5M to \$35.8M identified across divisions

CIP Deferrals: \$12.7M+ (Smart City) pending proper project definition

Combined Fiscal Opportunity: \$33.2M to \$48.5M (annual savings + one-time CIP deferrals)

Primary Sources:

IT Software Rationalization: \$6M-\$8M (reducing from 46.5% to 27% peer benchmark)

Contractor-to-Employee Conversion: \$6M-\$10M (filling 200-300 vacant positions)

Police Overtime Risk Mitigation: \$7M-\$9M (if operational plan achieves reduction)

Parks/Public Works Efficiency: \$4M-\$6M (permanent crews vs. contractors)

General Government Operations: \$3M-\$5M (procurement, fleet, facilities)

Grants & Subsidies Accountability: \$3.5M-\$8.5M (performance-based funding)

THE 10 MAJOR FINDINGS RECAP

- 1:** Tyre Nichols Trial (July 13) 34 days after budget vote with \$550M exposure
- 2:** Attrition Mechanism (\$28M) using same tool that caused \$82M deficit
- 3:** Police Overtime \$9M gap with no operational plan
- 4:** 843 Vacant Positions while paying \$52.7M to contractors (2-3x cost)
- 5:** Sales Tax Referendum cut \$13.4M (50%) with zero voter explanation
- 6:** Smart City CIP \$12.7M with no project charter or scope definition
- 7:** IT Software 46.5% of budget vs. 27% peer benchmark
- 8:** Lawsuit Budget up 1,180% with no case list disclosed
- 9:** Sewer Fund surplus to deficit threatens homeowner rate increases
- 10:** 2023 Pension Promise (actuarial disclosure) remains unfulfilled

PRIORITY COUNCIL ACTIONS

BEFORE JUNE 9 BUDGET VOTE:

- 1:** Require police overtime operational plan showing how \$9M reduction achieved without service impact
- 2:** Request detailed explanation for \$13.4M sales tax referendum revenue cut-voters deserve transparency
- 3:** Request City Attorney litigation case list showing Nichols trial allocation vs. other pending cases
- 4:** Defer Smart City CIP (\$12.7M) until project charter approved; redirect to documented infrastructure needs
- 5:** Request IT software asset inventory and rationalization plan targeting 27% peer benchmark

DURING FY27 IMPLEMENTATION:

- 6:** Monthly contractor spending reports with conversion-to-employee opportunities identified
- 7:** Quarterly Police/Fire Services reporting: overtime actuals, pension ADC, service metrics
- 8:** Quarterly enterprise fund financial reports: Sewer/Storm Water fund balance, rate projections

9: Quarterly CIP status reports: project progress, spending, schedule, issues

10: Monthly MATA performance reports: ridership, on-time performance, cost per rider

COUNCIL AUTHORITY

Tennessee law grants Memphis City Council specific budget oversight authority (see Tab 6 for detailed legal analysis):

- Power to request additional information before budget adoption (TCA § 6-56-205)
- Authority to amend proposed budget (TCA § 6-56-206)
- Right to establish performance reporting requirements
- Ability to defer CIP projects pending adequate documentation
- Authority to require quarterly financial reports

Council is not limited to yes/no vote on Administration proposals. Council has statutory authority to require transparency, accountability, and operational planning before committing taxpayer resources.

THE 901 REPORT POSITION

The 901 Report takes no advocacy position on whether Memphis City Council should adopt the FY2027 budget as proposed, amend it, or reject it. That decision belongs to the 13 elected Council members who represent Memphis residents.

This analysis is provided as an independent research resource to support the Council's oversight role. The 901 Report believes Memphis residents are better served when elected officials have detailed, factual, independent analysis during budget deliberations.

Every finding in this document is sourced to official budget pages, Council minutes, court documents, or verified news reporting. If any information is inaccurate, The 901 Report welcomes corrections at editors@the901report.com.

Tab 2 contains division-specific hearing questions. Tab 3 provides a 30/60/90 day Council follow-up timeline. Tab 6 outlines Council's statutory authority under Tennessee law.

The 901 Report thanks Memphis City Council for the opportunity to contribute to informed budget deliberation.