



BUDGET & FINANCE COMMUNITY MEETING

Metro
Council

Bob Mendes, At Large
Budget & Finance Committee Chair

Comptroller would not approve Metro's FY20 budget



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

August 6, 2019

Honorable David Briley, Mayor
and Members of the Metro Council
Metropolitan Government of Nashville and Davidson County
One Public Square, Suite 106
Nashville, TN 37201

Dear Mayor Briley and Councilmembers:

Our office received a request from the Metropolitan Government of Nashville and Davidson County ("Metro") dated July 31, 2019, for the retroactive approval of tax anticipation notes

Metro adopted its fiscal year 2020 budget on June 18, 2019, and recently submitted all required budget documents to our office. We are in the process of discussing a number of fiscal concerns that need to be clarified or addressed.

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

Presentation to Metro Council Members

Justin P. Wilson, Comptroller
November 13, 2019



Summary of what Comptroller needs to see...

- “Structurally balanced budget”
- Recurring expenses = recurring revenues
- Don’t balance budget by using savings
- Don’t balance budget by selling off assets

CASH BALANCES ENDING JUNE 30, 2020

Tax Funds	Ending Cash	Number of days of cash
General Fund	\$ 65,332,815	21.32
General Purpose School Fund	2,254,056	0.90
Debt Service Funds:		
General Services Debt Service Fund	2,744,302	4.82
School Debt Service Fund	201,795	0.67
Urban Services Debt Service Fund	293,612	5.74

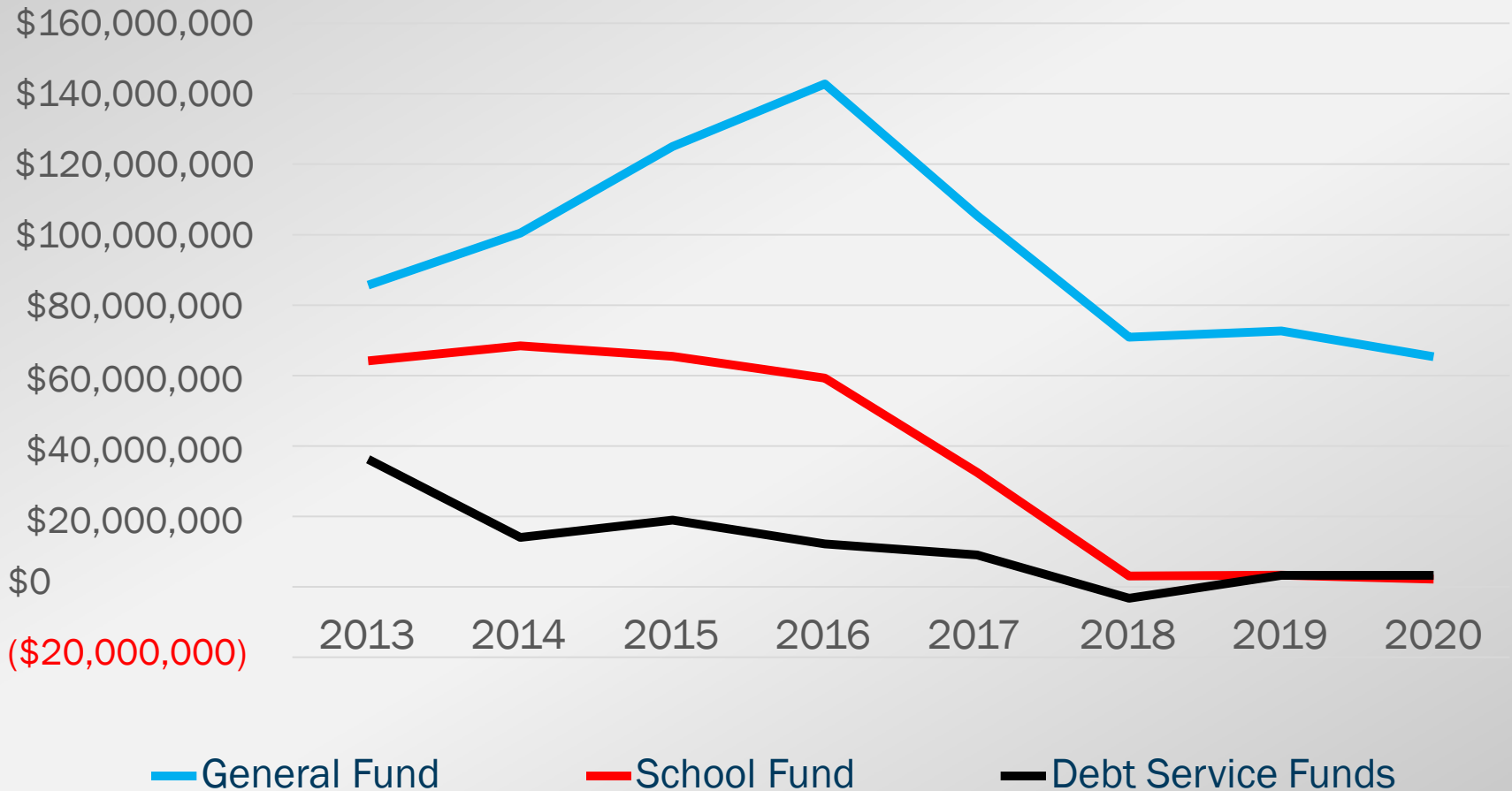
 **All tax funds will end fiscal year 2020 with little cash on hand.**

Source: FY 2020 Budget and unaudited June 30, 2019 reports from Metro



CASH TRENDS

Metro Cash on Hand



Source: Audited Financial Statements, FY 2019 and 2020 Budgets, Unaudited June 30, 2019 reports from Metro

GENERAL FUND

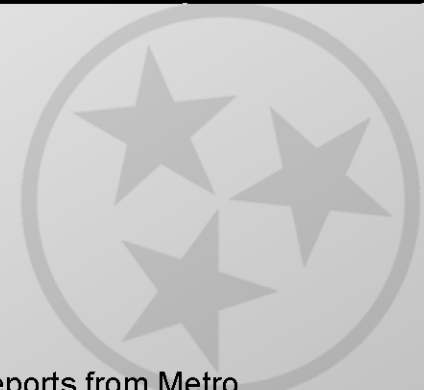
General Fund	Audit 2013	Budget 2020	2020 vs. 2013
Revenues	\$ 875,779,170	\$ 1,111,185,200	26.88%
Expenditures	845,984,907	1,118,485,200	32.21%
Revenues - Expenditures	<u>29,794,263</u>	<u>(7,300,000)</u>	
Cash	85,654,048	65,332,815	(23.72)%
Fund Balance	100,538,265	84,100,000	(16.35)%
Cash as a % of Exp	10.12%	5.84%	
Fund Balance as a % of Exp	11.88%	7.52%	

- **Expenditures have increased 32% since 2013.**
- **Cash has decreased nearly 24%. Fund balance has decreased 16%.**

SCHOOL FUND

General Purpose School Fund	Audit 2013	Budget 2020	2020 vs. 2013
Revenues	\$ 735,770,212	\$ 914,475,600	24.29%
Expenditures	714,441,258	914,475,600	28.00%
Revenues - Expenditures	21,328,954	-	
Cash	64,157,540	2,254,056	(96.49)%
Fund Balance	77,554,099	41,300,000	(46.75)%
Cash as a % of Exp	8.98%	0.25%	
Fund Balance as a % of Exp	10.86%	4.52%	

- **Expenditures have increased 28% since 2013**
- **Cash has decreased 96%**



DEBT SERVICE FUNDS

	Audit		Budget	2020 vs.	
Debt Service Funds	2013		2020	2013	
Revenues	\$	167,064,917	\$	336,872,700	101.64%
Expenditures *		141,732,066		336,872,700	137.68%
Revenues - Expenditures		25,332,851		-	
Cash		36,196,835		3,239,709	(91.05)%
Fund Balance		37,330,128		18,000,000	(51.78)%
Cash as a % of Exp		25.54%		0.96%	
Fund Balance as a % of Exp		26.34%		5.34%	

* 2013 net of transfers and refunding

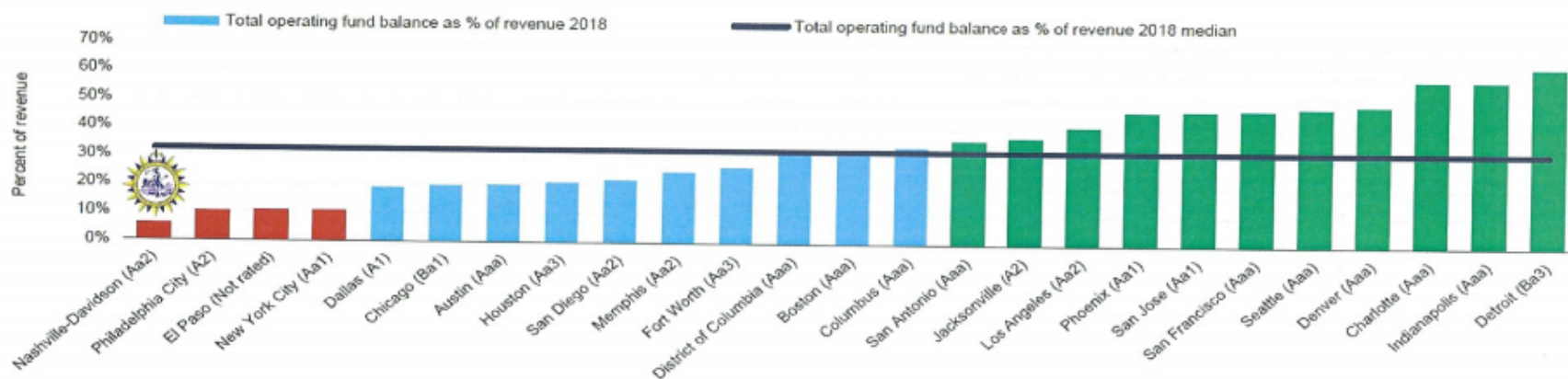
- **Expenditures have increased 138% since 2013**
- **Cash has decreased 91%**
- **Nonrecurring revenue is used to pay debt**



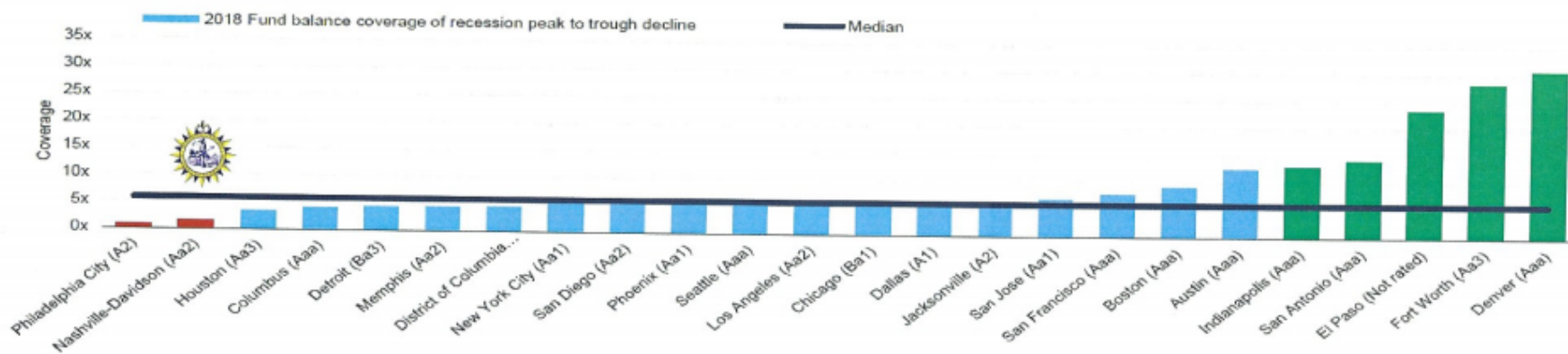
Rainy Day Funds have been a bright spot for many local governments; Metro has been an outlier in this regard

- Median reserves across the sample of cities, median reserves reached 32.4% of revenue in FY18, from 24.3% in FY07 and, on a nominal basis, fund balance increased from a median \$387 million to \$582 million, up 50%, over the 10-year period

Operating fund balance as a % of revenue



Fund balance coverage of peak-to-trough decline vs. median



FIVE WAYS TO BALANCE A BUDGET



Raise Revenue



Cut Spending



Borrow



Use Reserves



Accounting
Methods



“Cut Spending” – cuts since late 2017

Metro departments have been spending less than budgeted since cash crunch started.

- FY18, \$17.2 million less than budget
- FY19, \$20.3 million less than budget
- FY20, about \$20 million below budget
- Going forward?

NASHVILLE'S PROPERTY TAX RATE

Tax Year	General Services District	Urban Services District*
2016	\$3.924	\$4.516
2017 - Reappraisal	\$2.755	\$3.155
2018	\$2.755	\$3.155
2019	\$2.755	\$3.155

*Urban Services District rate represents a total of the GSD and USD.



History of Metro property tax rates

1965: \$5.30

1970: \$5.30

1975: \$6.00

1980: \$6.83

1985: \$3.92

1990: \$4.81

1995: \$4.50

2000: \$4.24

2005: \$4.69

2010: \$4.13

2015: \$4.516

2019: \$3.155

NASHVILLE'S PROPERTY TAX RATE

2019 Tax Rates

County	Primary City	County Tax Rate	City Tax Rate	Total Tax Rate
Shelby	Memphis	\$4.0500	\$4.1100	\$8.1600
Hamilton	Chattanooga	\$2.7652	\$2.2770	\$5.0422
Knox	Knoxville	\$2.1200	\$2.4638	\$4.5838
Montgomery	Clarksville	\$2.9900	\$1.0269	\$4.0169
Rutherford	Murfreesboro	\$2.2194	\$1.2894	\$3.5088
Davidson	Nashville	\$2.7550	\$0.4000	\$3.1550

“Raise Revenue” – new sources since September election

Corrective Actions - GSD General and Debt Service Funds

Recurring Revenues & Savings

PILOT - Music City Center	\$ 12.6
PILOT - Water Services	10.0
MDHA TIF Payment Reduction	7.2
Debt Service Reimbursements - Convention & Visitors Corp	3.6
Program Reimbursements - Sheriff / US Marshal Service	0.5
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	33.9
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FY20 – Impact of COVID-19

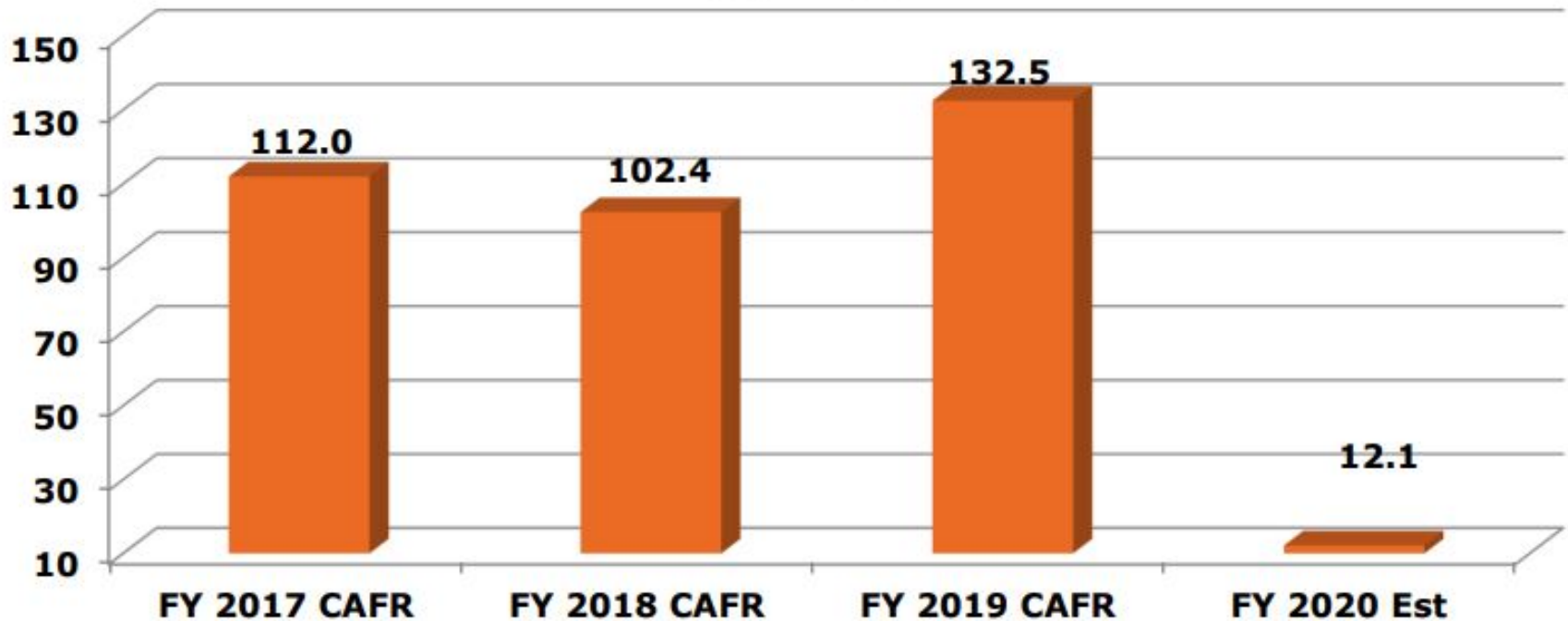
FY 2020 Revenue Budget Overview Impact of COVID-19 and Tornado

	FY2020 Budget	FY20 Projection Post COVID-19	Variance
Property Taxes	\$1,065,480,700	1,079,047,609	13,566,909
Local Option Sales Tax	478,897,900	383,632,622	(95,265,278)
Grants & Contributions	427,277,300	415,543,627	(11,733,673)
All Other Revenues	352,662,100	230,255,649	(122,406,451)
Fund Balance Appropriated	7,300,000	7,300,000	0
Total	2,331,618,000	2,115,779,507	(215,838,493)

FY20 – End year with basically no cash

Fund Balances General, Schools and Debt Service Funds

Amounts in millions



CAFR: Comprehensive Annual Financial Report

FY21 – cash needs for the new year

Minimum FY 2021 Funding Needs: \$115.9 Million

- Restore Cash and Fund Balances at Council / State levels - \$99.9 million
- General Government (health, safety and other required) - \$35 million
- Savings opportunities identified– (\$47.7 million)
- Schools funded at Maintenance of Effort level - \$.4 million
- Debt Service increase after benefit of delayed bond issuance - \$6.2 million
- Civil Service class study pay increase - \$2.2 million
- Costs for Employees Injured on Duty - \$10.7 million
- Health Insurance – \$5.6 million
- Water rate increase - \$3 million
- District Energy System - \$.6 million

FY21 – “savings opportunities”

Selected General Government Highlights **Savings Opportunities: \$47.7 million**

- MTA/RTA to be covered by Federal Programs - \$22.3 million
- MDHA Tax Increment Refinancing- \$9.3 million
- Suspend Longevity for FY 2021 - \$3.9 million
- Continue pilot of Body Worn Cameras for FY21- \$1.9 million
- Direct Appropriations to be covered by Federal and other sources - \$1.8 million
- Community Partnership funding to be covered by Federal and other sources - \$1 million
- Other Direct Appropriations of \$1.8 million to apply for pooled - \$900,000
- Eliminate Community Education Commission- \$516,600
- Postpone Studies- \$500,000
- Continue Travel Freeze - \$422,900

FY21 – “savings opportunities” (continued...)

Selected General Government Highlights Savings Opportunities (continued)

- Cut surplus from Housing Incentive Program - \$100,000
- Rental Savings- \$100,000
- Reduce other discretionary funding by 50%:
 - Opportunity Now – \$1.5 million
 - Economic Development jobs grants - \$1.2 million
 - Arts grants - \$1.2 million
 - GRAD Program - \$500,000
 - Construction Readiness – \$315,300
 - NCAC programs – \$208,700

FY21 – funding gap in Mayor’s budget

FY 2021 Budget Gap: \$332 million

FY 2020 Budget: \$2,332 million

FY 2021 Minimum Funding Needs: \$115.9 million

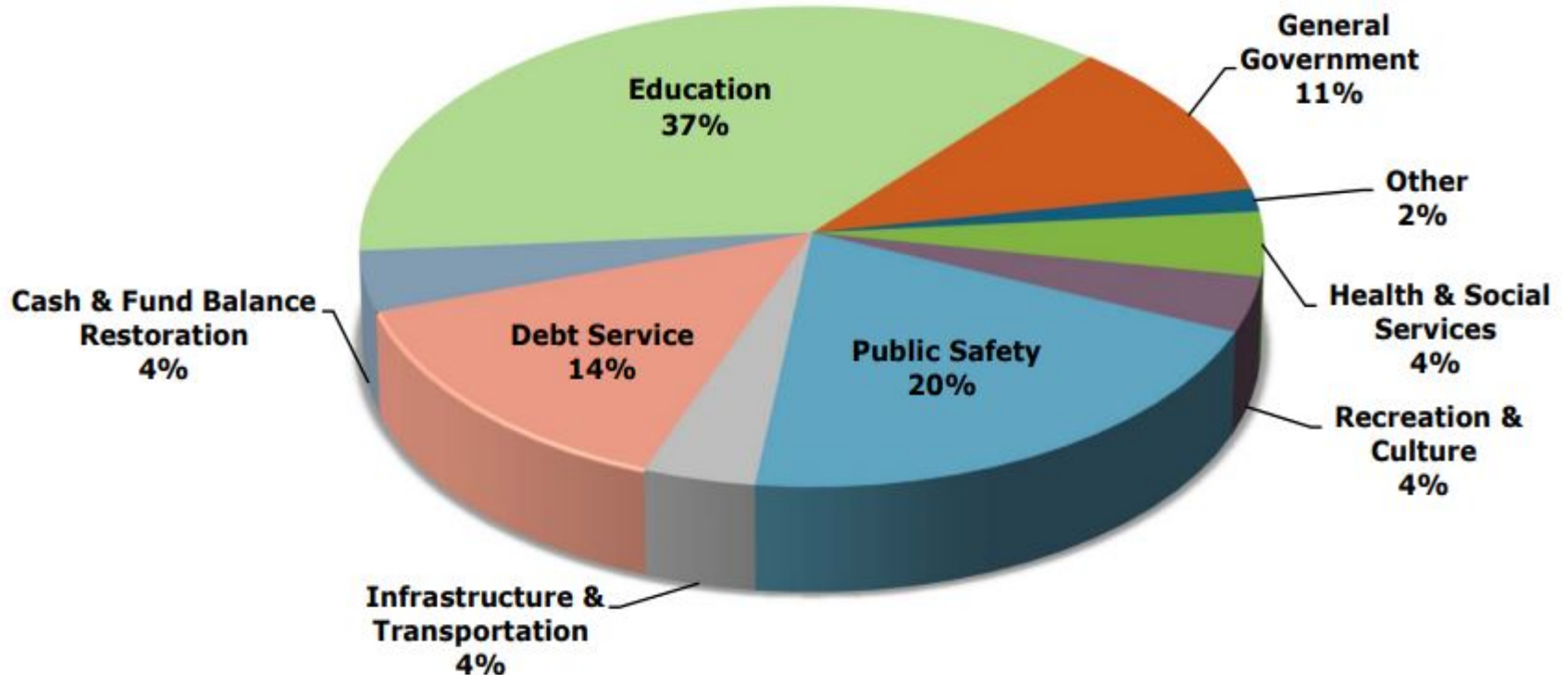
Available Revenue: \$2,115.9 million

Budget Gap: \$332 million

Recommending \$1.00 Property Tax Increase

FY21 – where the money goes

FY21 Where the Money Goes



FY21 – options

Summary comparison of budget options for FY21

<u>Issue</u>	<u>Cooper</u>	<u>\$1.00 Option</u>	<u>\$1.066 Option</u>
Amount for MNPS above minimum	0	0	7,578,000
Raise MNPS minimum wage to \$15/hour	0	0	4,896,195
Step increases for Metro employees	No	Yes	Yes
1% COLA for Metro employees	No	No	Yes
Keep Community Education Commission	No	Yes	Yes
TSU economic development grant	25,000	50,000	50,000
GRAD program	500,000	500,000	1,000,000
Summer Youth employment (Opportunity Now)	1,449,400	1,449,400	2,000,000
Alignment Nashville	75,000	100,000	150,000
Nashville Public Education Foundation	137,500	120,000	250,000
Small Business Incentive	100,000	100,000	150,000
Nashville Business Incubation Center	50,000	50,000	90,000
Entrepreneur Center	62,500	62,500	75,000
Nashville Civic Design Center	62,500	62,500	75,000
Black Chamber of Commerce	12,500	25,000	25,000

FY21 – options (continued)

	02,000	02,000	10,000
Nashville City Design Center			
Black Chamber of Commerce	12,500	25,000	25,000
Latin American Chamber of Commerce	12,500	25,000	25,000
Nashville Area Hispanic Chamber of Commerce	12,500	25,000	25,000
LGBT Chamber of Commerce	12,500	25,000	25,000
Nashville Area Chamber of Commerce	175,000	175,000	175,000
Andrew Jackson Foundation	62,500	62,500	0
Sister Cities	40,000	40,000	0
Metro Arts Commission	2,447,000	2,747,000	3,447,000
Adventure Science Museum	85,000	85,000	75,000
Add to Juvenile Court Clerk for remote IT	0	0	85,000
Add to Planning Commission for SP enforcement	0	262,000	262,000
Targeted savings -- Metro (<0.5%)	0	(4,400,000)	(4,000,000)
Targeted savings -- MNPS (0.25%)	0	0	(2,300,000)
Increase GSD rate	1.000	1.000	1.033
Increase USD rate	0.000	0.000	0.033
Total increase	1.000	1.000	1.066



BUDGET & FINANCE COMMUNITY MEETING

Facilitated by:

Bob Mendes, At Large
Budget & Finance Committee Chair

Kyonztè Toombs, District 2
Budget & Finance Committee Vice Chair

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