

The Law and the Budget

Many of the government's financial affairs are set by the Metropolitan Charter and other laws, resolutions, and rules. Budget-related sections of some of those documents are reproduced below, beginning with Article 6 of the Charter. Other sections of the Charter and laws may delegate finance-related powers and responsibilities to other departments. Text in *italics* summarizes certain long sections.

METROPOLITAN CHARTER ARTICLE 6 - THE BUDGETS AND FINANCIAL MATTERS

Section 6.01. Fiscal Year. -- The fiscal year of the metropolitan government shall begin on the first day of July of each year and shall end on the thirtieth day of June next following. Said fiscal year shall constitute the budget year and the year for financial accounting and reporting of each and every office, department, institution, activity and agency of the metropolitan government; but the aforesaid provision shall be in addition to, and not in lieu of, any accounting and reporting required of any official or agency by state or federal laws.

Section 6.02. Preparation of Annual Operating Budget. -- The director of finance shall obtain from all officers, departments, boards, commissions and other agencies for which appropriations are made by the metropolitan government, or which collect revenues for such government, such information as shall be necessary for him to compile the annual operating budget; and it shall be the duty of all such officers, departments, boards, commissions and agencies to furnish the director such information as he may require at such time or times and in such form as the director may prescribe.

Not later than March 1st prior to the end of each fiscal year, said director shall distribute to each of the agencies identified in the preceding paragraph all forms necessary for the preparation of the operating budget for the succeeding fiscal year. Such forms shall be returned to the director with the information desired not later than two months prior to the end of the current fiscal year. On the basis of the information so received and otherwise secured by him, said director shall prepare and transmit to the mayor a proposed operating budget for the next fiscal year of the kind and scope set forth in section 6.03 hereof. In preparing the proposed budget, the director may revise, as he may deem necessary, the estimates or requests made by the various officers, departments, boards, commissions and agencies, but any such agency shall be entitled to a hearing before the director with reference to any contemplated changes in its budget requests or estimates.

Section 6.03. Scope of the Annual Operating Budget. -- Section I of the annual operating budget shall apply only to the general services district and shall deal with those services and functions appertaining to the general services district, as set out by this Charter, or by ordinance of the council.

Section II of the annual operating budget shall apply only to the urban services district and shall deal with those services and functions appertaining to such urban services district, as set out in this Charter, or by ordinance of the council.

Each of the above described sections of the annual operating budget shall contain with respect to each of the operating funds of the metropolitan government to which they are applicable:

- (a) An estimate of the unencumbered fund balance or deficit at the beginning of the ensuing fiscal year, and the amount of any reserves for designated purposes or activities includable in the operating budget.
- (b) A reasonable estimate of revenues to be received during the ensuing year, classified according to source; but the estimated revenues from current and from delinquent property taxes shall not exceed the percentage of the total receivable from each such source collected during the last completed fiscal year; or the current fiscal year.
- (c) Proposed expenditures for each organizational unit and activity in accordance with the established classification of accounts, including those capital outlays which are to be financed from the revenues of the ensuing year, and including all debt service requirements in full for such fiscal year payable from such fund.

In no event shall the total proposed expenditures from any fund exceed the total anticipated revenues plus the estimated unappropriated surplus, or fund balance, and applicable reserves and less any estimated deficit at the end of the current fiscal year.

Section 6.04. Review and Revision of Operating Budget by Mayor; Submission to Council; Budget as Public Record; Distribution of Copies. -- The mayor shall review the operating budget submitted to him or her by the director of finance and may make any revisions in such budget as he or she may deem necessary or desirable, before it is submitted to the council for consideration.

Not later than May 1st, the mayor shall submit to the metropolitan council the operating budget as approved by him or her in the form and with the contents specified in Section 6.03 hereof, together with a message explaining such budget, describing its important features, and outlining the proposed financial policies of the metropolitan government for the ensuing fiscal year and setting forth the reasons for any significant changes in policy or budgetary allocations. The mayor shall further provide the following:

- (a) performance and efficiency measurements, as determined by the director of finance, for departments, boards, commissions and other agencies for which appropriations are made by the metropolitan government. The director of finance shall have discretion to omit those departments, boards, commissions and other agencies whose functions, duties and/or responsibilities are not conducive to quantifiable performance and efficiency measurements;
- (b) the total principal amount of debt of the metropolitan government then outstanding, excluding those items set forth in subsection (E) herein;

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(c) a comparison of such total principal amount of debt to the total principal amount of debt outstanding as of the same date of the previous calendar year (expressed in both dollar and percentage terms);

(d) a calculation of debt per capita, based on such total principal amount of debt and the population of the metropolitan government, as most recently published; and

(e) a summary of the total amount of authorized but unissued general obligation bonds for which short term debt has been issued in the form of commercial paper, bond anticipation notes, or capital outlay notes; and a summary of all debt authorized pursuant to an initial general obligation bond resolution for which no short term debt has been issued.

(f) As used herein, the term "debt" shall include only (i) general obligation indebtedness and (ii) indebtedness which does not constitute general obligation indebtedness but which is payable from and/or secured by a pledge or other commitment of all or any portion of the metropolitan government's general fund; in either case, whether such indebtedness is in the form of bonds, notes, commercial paper, or other instrument.

The mayor shall promptly cause copies of the budget and the budget message to be prepared for distribution to interested persons, and a summary of the budget shall be published in each of the daily newspapers in the area of the metropolitan government. The operating budget, as well as the capital improvements budget hereinafter provided for, the budget message, and all supporting schedules shall be public records in the office of the metropolitan clerk and shall be open to public inspection.

Section 6.05. Hearings by Council. -- After the council shall have passed the budget ordinance on first reading, it shall hold hearings on the proposed operating budget, as well as on the capital improvements budget as provided in section 6.13 hereof, but the hearing on the capital improvements budget shall be heard prior to those on the proposed operating budget, and the hearings on either budget may be adjourned from time to time. Budget hearings shall be advertised in a daily newspaper of general circulation published in the area of the metropolitan government at least seven days prior to the date or dates set for the beginning of such public hearings.

Section 6.06. Action by Council on Operating Budget. -- After the conclusion of the public hearings, the council may amend the operating budget proposed by the mayor; except, that the budget as finally amended and adopted must provide for all expenditures required by law or by other provisions of this Charter and for all debt service requirements for the ensuing fiscal year as certified by the director of finance. Neither shall the council alter the estimates of receipts or other fund availability included in the budget document except to correct errors and omissions, in which event a full explanation shall be spread on the minutes of the council. In no event shall the total appropriations from any fund exceed the estimated fund balance, reserves and revenues, constituting the fund availability of such fund.

The council shall finally adopt an operating budget for the ensuing fiscal year not later than the thirtieth day of June, and it shall be effective for the fiscal year beginning on the following July 1st. Such adoption shall take the form of an ordinance setting out the estimated revenues in detail by source and making appropriations according to fund and by organizational unit, purpose or activity as set out in the budget document. If the council shall fail to adopt a budget prior to the beginning of any fiscal year, it shall be conclusively presumed to have adopted the budget as submitted by the mayor.

A copy of the adopted budget, certified by the metropolitan clerk, shall be filed in the office of the director of finance.

The amount set out in the adopted operating budget for each organizational unit, purpose or activity shall constitute the annual appropriation for such item, and no expenditure shall be made or encumbrance created in excess of the otherwise unencumbered balance of the appropriation, or allotment thereof, to which it is chargeable. This shall not preclude the impoundment of funds or additional appropriations as provided herein.

Section 6.07. Property Tax Levies. -- The council shall levy an annual tax on real and personal property and merchants' ad valorem in the general services district, and the tax levy ordinance shall be the next order of business of the council after the adoption of the operating budget. The tax rate set by such ordinance shall be in two (2) parts; the general tax rate and the school tax rate.

The general tax rate set by such ordinance shall be such that a reasonable estimate of revenue from the levy shall at least be sufficient, together with other anticipated revenues, fund balances, and applicable reserves, to equal the total amount appropriated with the exception of the amount appropriated for schools and to provide in addition, a reasonable amount of working capital for each of the several funds.

The school tax rate set by the ordinance shall be such that a reasonable estimate of revenue from the levy shall at least be sufficient, together with other anticipated revenues, fund balances, and applicable reserves, to equal the total amount appropriated for schools and to provide in addition, a reasonable amount of working capital.

After the council has approved the annual operating budget of the urban services district, said council shall determine and declare the amount of revenue which must be produced from a tax levy upon the real and personal property and merchants' ad valorem within the urban services district. The urban council shall thereupon convene and it shall have a mandatory obligation by resolution to levy a property tax adequate with other available funds to finance the budget for urban services, as determined by the council; subject, however, to the requirements of section 1.04 of this Charter with respect to the tax on property in the newly annexed areas.

The willingness and ability of citizens to bear the burden of tax increases should always be considered. Therefore, notwithstanding any provisions above, real property tax rates shall not exceed the maximum rates approved by the voters of the county in a referendum. Such referendum may be authorized either by the mayor or by a majority vote of the council no more than once each calendar year pursuant to Tennessee Code Annotated section 2-3-204. The referendum shall read "The maximum real property tax rates for Davidson County shall be increased to:" followed by a list of rates. Voters shall be

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provided the two choices of FOR and AGAINST. The real property tax rates in effect as of November 7, 2006, shall be the maximum rates allowed until the first referendum occurs.

Section 6.08. Allotments of Appropriations. -- All appropriations contained in the current operating budget shall be allotted by the director of finance on a quarterly basis, and it shall be his duty to make such allotments promptly at the beginning of each quarter of the fiscal year. Such allotments shall be based upon estimated needs, and in the determination of such need the director of finance may require all spending agencies to submit allotments requests on such forms as he may prescribe. Such allotments shall constitute authorizations for expenditure or encumbrance, and no expenditure shall be made or encumbrance created, but in pursuance of an allotment, and within the otherwise unencumbered balance of such allotment.

Section 6.09. Impoundment of Funds. -- Upon certification of the director of finance that the revenues or other resources actually realized with respect to any fund are less than was anticipated and are insufficient to meet the amounts appropriated from such fund, it shall be the duty of the mayor to impound such appropriations as may be necessary to prevent deficit operation.

Section 6.10. Additional Appropriations. -- The metropolitan council may make appropriations in addition to those contained in the current operating budget, at any regular or special meeting called for such purpose, but any such additional appropriation may be made only from an existing unappropriated surplus in the fund to which it applies.

Section 6.11. Transfer of Appropriations. -- On request of any department head, and with his consent, the mayor may transfer the unencumbered balance of any appropriation, or any portion thereof, for any purpose or activity to the appropriation for any other purpose or activity within the same department, but the same shall not be available for encumbrance or expenditure until it shall have been allotted by the director of finance.

At the request of the mayor, but only at the end of any quarter of the fiscal year, the council may by resolution approved by a majority of the membership of the council transfer the unencumbered balance of any appropriation, or any portion thereof, to another appropriation within the same section of the budget and within the same fund. However, the council shall not make transfers of appropriations at any time between the general services district and the urban services district, or transfer moneys from any operating fund to another fund. Provided, however, that this stipulation shall not apply to the discharge of obligations existing between governmental agencies financed from one fund and those financed through another fund, nor to the transfer of moneys from operating funds to agency or trust funds, covering collections to be expended through such agency or trust funds, nor to the transfer of the unappropriated surplus in bond funds to the debt service funds set up to retire such bond, nor to such other transfers between funds as may be authorized by law.

Section 6.12. Lapse of Appropriations. -- All unencumbered balances of appropriations in the current operating budget at the end of the fiscal year shall lapse into the unappropriated surplus or reserves of the fund or funds from which such appropriations were made.

Section 6.13. Capital Improvements Budget. -- The director of finance shall obtain annually from all officers, departments, boards and commissions and other agencies requesting funds from the metropolitan government for capital improvements, such information as the planning commission shall require to enable it to prepare the capital improvements budget. This data shall be delivered to the planning commission not later than four months prior to the end of the fiscal year. The capital improvements budget shall include a program of proposed capital expenditures for the ensuing fiscal year and the next five fiscal years thereafter, accompanied by the report and recommendations of the metropolitan planning commission with respect to the program. Section I of the capital improvements budget shall present proposed general services district projects. Section II shall present proposed urban services district projects. The mayor shall submit the capital improvements budget to the council not later than May 15th and shall recommend those projects to be undertaken during the ensuing fiscal year and the method of financing them, noting the impact on the debt structure of the metropolitan government and shall include in the appropriate current operating budget any projects to be financed from current revenues for the ensuing fiscal year.

The council shall have power to accept, with or without amendment, or reject, the proposed program and proposed means of financing. The council shall not authorize an expenditure for the construction of any building, structure, work or improvement, unless the appropriation for such project is included in its capital improvements budget, except to meet a public emergency threatening the lives, health or property of the inhabitants, when passed by two-thirds vote of the membership of the council. The capital improvements budget must be acted upon finally by the council not later than the fifteenth day of June following its submission.

The mayor may submit amendments to the capital improvements budget at any time during the year, accompanied by the recommendation thereon of the planning commission, which amendments shall become effective when adopted by a two-thirds vote of the membership of the council.

Section 6.14. General Fund Reserve. -- From all original moneys collected during any year, before making a budget ordinance, there shall be deducted four (4%) percent of the gross amount of the general fund revenue of the general services district, which sum shall be placed in an account to be known as the general fund reserve and shall be kept separate and apart from other funds of the metropolitan government.

The mayor and council may by resolution make appropriations from said funds for the purchase of equipment for any department of the metropolitan government or for repairs to any building owned by any department of the metropolitan government; provided, however, that no appropriations shall be made from this fund to any department not deriving its operating funds from the general fund budget.

From all moneys collected during any year, and after making provisions for the four (4%) percent of the gross amount of the general fund revenue that shall establish the general fund reserve of the metropolitan government, there shall be next

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provided a sufficient amount, not to be less than fifty thousand (\$50,000) dollars, to be placed in and constituted the metropolitan government advance planning and research fund for the use of the metropolitan planning commission of the metropolitan government in the preparation, in advance, of plans for capital projects, and for the making of such studies and the doing of such research as is by the metropolitan planning commission deemed necessary in the performance of the duties and responsibilities given it by the Metropolitan Charter and general law. No expenditures shall be made from said fund except by resolution of the metropolitan planning commission, and in no case shall expenditures be made therefrom for the payment of budgetary items or matters not concerned with research and advance planning. The resolution of the metropolitan planning commission as to capital projects shall precisely define the projects concerned and amounts expended in the planning of such projects shall be provided for in the financing of construction of same and, upon the commencement of construction, the metropolitan government advance planning and research fund shall be repaid those sums and moneys expended from it in the advanced planning of such project. From all moneys collected during any year, and after the making of provision for the four (4%) percent of the gross amount of the metropolitan government's general fund revenue flowing into the general fund reserve of the metropolitan government, there shall next be provided a sufficient amount, as of the first day of each fiscal year, to bring the unencumbered balance on hand in the metropolitan government advance planning and research fund created herein to the minimum sum of fifty thousand (\$50,000) dollars.

By ordinance, the council may create a contingent reserve fund not to exceed four (4%) percent of the general fund revenue of the urban services district. The mayor and council may by resolution make appropriations from said fund for the purchase of equipment for any department of the metropolitan government or for repairs to any building owned by any department of the metropolitan government which equipment or buildings are used primarily for the furnishing of services herein defined as urban services; provided, however, that no appropriations shall be made from this fund to any department not deriving its operating funds from the general fund of the urban services district current operating budget.

Section 6.15. Post Audit. -- The council shall provide annually for an independent audit of the accounts and other evidences of financial transactions of the metropolitan government and of its every department, office and agency. The audit shall be made by an accountant or an accounting firm, the members of which have no personal interest, direct or indirect, in the fiscal affairs of the metropolitan government or of any of its departments, offices, or agencies. The designated accountant shall be a certified public accountant, or, if an accounting firm is employed, the members thereof shall be so certified and thoroughly qualified by training and experience in governmental accounting to perform the audit.

The independent audit shall be made by a firm chosen by a three-member audit board. This board shall consist of the presiding officer of the council, the chairman of the finance committee of the council, and the chairman of the metropolitan board of education.

The audit may be conducted on a quarterly or continuing basis and the final report of the annual audit shall be completed as soon as practicable after the close of the fiscal year, and in no event later than four months after the close of the fiscal year. The audit report shall be available to the public and to the press.

The council may at any time order an examination or special audit of any department, office or agency of the government.

ARTICLE 5 - METROPOLITAN COUNTY MAYOR AND VICE MAYOR

Section 5.04. Mayor's veto power; veto of items in appropriations and budget. -- The mayor is authorized to approve or to disapprove ordinances and resolutions adopted by the council and no ordinance or resolution shall become effective without his approval except as herein provided. Every ordinance or resolution adopted by the council shall be presented to the mayor for his or her consideration. If he or she approves, he or she shall sign the same, and it shall become effective according to the terms thereof. If he or she disapproves, he or she shall return the same to the council without his or her signature, which return may be accompanied by a message indicating the reasons for his or her disapproval. Any resolution or ordinance so disapproved shall become effective when subsequent to its return it shall be adopted by two-thirds (2/3rds) of all the members to which the council is entitled, with the ayes and noes and the names of the councilmen voting for and against the same entered on the minutes. Every resolution or ordinance shall become effective unless the same be approved or disapproved by the mayor and returned to the council at or prior to the next regular meeting of the council occurring ten (10) days or more subsequent to the date when the same was delivered to his or her office for consideration.

The mayor, while approving other portions of an ordinance, may reduce or disapprove the sum of money appropriated by any one or more items, or parts of items, in any ordinance appropriating money, except for debt service, employee benefits or independent audits, such power to be exercised with return of the ordinance to the council within the time prescribed for disapproval of ordinances generally, accompanied by written explanation of the reasons for disapproval or reduction. The one or more items or parts of items disapproved or reduced shall be void to the extent that they have been disapproved or reduced unless any such item or parts of items so disapproved or reduced shall be restored to the ordinance in the original amount and become effective by adoption by the council according to the rules and limitations prescribed for the passage of other ordinances over the mayor's veto.

ARTICLE 7 - BOND ISSUES

Overview - Bond Issues -- *Although bond issues affect the budget through debt service payments, they are not directly involved in the budget process. The more significant sections of the Article are:*

- 7.01. Bonds authorized by metropolitan council; purposes of issue.
- 7.04. General tax bonds and urban tax bonds.
- 7.05. When bond referendum not required; notice of

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issue.

- 7.07. Issuance of bonds under general law.
- 7.08. Limitations on urban bonds.
- 7.09. Amount and purpose; obligations; form issuance.
- 7.10. Metropolitan bonds negotiable and tax exempt.
- 7.12. Sale.
- 7.13. Temporary financing.
- 7.17. Revenue bonds.
- 7.20. Debt service funds.

ARTICLE 8 - METROPOLITAN DEPARTMENTS

Overview -- *This article creates and empowers certain departments and divisions in the Government. Those sections related to financial matters are outlined below:*

- 8.101 Created; functions.
- 8.102 Director of finance - Qualifications, appointment and compensation.
- 8.103 Same - Powers and duties.
- 8.104 Division of budgets created; functions of budget officer.
- 8.105 Division of accounts created; duties of chief accountant.
- 8.106 Division of treasury created; duties of metropolitan treasurer.
- 8.107 Division of collections created; duties of collections officer.
- 8.108 Division of purchases created; appointment and qualification of purchasing agent.
- 8.109 Function of division of purchases.
- 8.110 Powers and duties of purchasing agent.
- 8.111 Competitive bidding for purchases or sales.
- 8.112 Division of public property administration
- 8.113 - 8.120

Related fiscal provisions (tax assessor, trustee, county clerk, and the collection of *ad valorem* taxes).

Section 8.104. Division of budgets created; functions of budget officer. -- There shall be in the department of finance a division of budgets, which shall consist of the budget officer and such other officers and employees, organized into such units, as may be provided by ordinance or by the director of finance consistent with ordinance. ... The budget officer shall compile, under the supervision of the director of finance, the departmental estimates and other data necessary or useful to the mayor and the director of finance, and assist in the preparation of the budgets. He shall examine from time to time the departments, boards, commissions, officers and agencies of the metropolitan government in relation to their organization, personnel and other requirements; ascertain the manner in which their respective budgets are carried out and their functions performed; call the attention of the department heads and the mayor to any improvements or economies which might be made in their administrative practices and cooperate with the heads thereof in the preparation of their budget estimates for the ensuing fiscal year. ...

Section 8.105. Division of accounts created; duties of chief accountant. -- There shall be in the department of finance a division of accounts. ... The chief accountant shall maintain (1) a general accounting system and such cost accounting records as shall be required by the director of finance, and (2) budgetary control records designed to prevent expenditures in excess of appropriations or allotments. ...

Section 8.121. Division of metropolitan audit. --

A.) There shall be, as an independent agency of the metropolitan government, a division of metropolitan audit, the director of which is designated as the metropolitan auditor. The metropolitan auditor shall be a person: (1) with a well-founded reputation in government or public finance and the audit function as may be exhibited by a record of exceptional performance for at least five (5) years as a financial officer of a government or business; (2) who has, through education and experience as an accountant, auditor, CFO, controller or principal accounting officer of a governmental entity or private business an understanding of Generally Accepted Accounting Principles, Governmental Auditing Standards Board standards, financial statements, internal controls and procedures for financial reporting, and the audit functions of a governmental entity.

ARTICLE 9 - PUBLIC SCHOOLS

Section 9.04. Same - Duties; referendum as to school budget.

Subsection 3 of this lengthy section, not reproduced here, provides a process for the Metropolitan Board of Public Education (MBOE) to initiate a referendum to levy additional property taxes for schools.

Section 9.11. No diversion of funds. -- No funds which have been appropriated for the use of, or transferred to, the metropolitan school system shall be diverted from that use for any other purpose.

Section 9.12. Transfer of school funds within school budget. -- The board shall have power at any time to transfer funds within the major items of its budget. It shall also have power to make transfers of funds to, from or between major items in its budget, provided such transfers are not inconsistent with the general law.

Section 9.13. Transfers to school fund from general funds; borrowing money. -- The metropolitan council by resolution approved by the mayor, may transfer funds to the school fund from the general fund or general accounts of the metropolitan government, or may issue short term anticipation notes to provide such funds if in its judgment it is necessary

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and proper to provide temporary advances or transfers for the maintenance and operation of the schools. Such temporary advances or transfers shall be repaid or restored out of school funds during the ensuing year.

OTHER RELATED ARTICLES

Section 13.05. Duties of metropolitan employee benefit board. -- In addition to other duties imposed by this Charter or by general law, it shall be the duty of the board to:

...(f) Advise the mayor and the council of the anticipated financial requirements of each employee benefit plan adopted by the metropolitan government, as well as the retirement plans listed in Section 13.09 (a)—(c) of this article so that such financial requirements shall be included in the budget and tax levy ordinances for the ensuing fiscal year.

METROPOLITAN COUNCIL RULES OF PROCEDURE (2019-2023)

Full Version (link: <https://www.nashville.gov/sites/default/files/2023-11/Rules-of-Procedure-2023-2027-Adopted-11.21.23-updated.pdf>)

Rule 7 - Committee referrals -- All resolutions, and all ordinances upon their first reading, must be referred to the appropriate committee(s) of the Council by the Vice Mayor. The Vice Mayor may delegate this responsibility to the Clerk or the Council Office. The committee assignment shall be indicated on the Council agenda.

The committee to which an ordinance or resolution has been referred shall make a report to the Council at the next regular meeting after its referral. No vote will be taken on any resolution or on any ordinance on third and final reading until a committee has made a recommendation regarding the legislation.

Rule 14 – Certification by Director of Finance on funds availability requirement -- Upon the filing of any ordinance or resolution requiring the appropriation or expenditure of money, the Director of Finance, or, if the position of Director of Finance is vacant, a Divisional Director of the Finance Department, shall be afforded a period of 20 days to furnish a statement to the Council certifying the availability of funds. No committee may consider the legislation until such time as the Director of Finance or a Divisional Director of the Finance Department has furnished such statement, or 20 days has elapsed since the filing of the legislation.

Rule 15 - Capital Improvements Budget -- By October 31 of each year, members of Council shall submit all of their Capital Improvements Budget requests for the ensuing fiscal year to the Council Office for review by the Department of Finance, Planning Department, and implementing departments in order to identify costs, timeline and alignment with the General Plan.

By December 16 of each year, a report of the reviewed requests shall be prepared by the Planning Department for review by the Budget and Finance Committee and Planning and Zoning Committee. Prior to the Capital Improvements submittal date established by the Director of Finance, the Budget and Finance Committee and Planning and Zoning Committee shall hold at least one joint meeting to prioritize Capital Improvement Budget requests on behalf of the Council in order to submit the requests in the format and timeline established by the Director of Finance for the Capital Improvements Budget development for the ensuing fiscal year.

No Capital Improvements Budget amendment initiated by a member shall be considered by the Council unless submitted in accordance with this rule.

Rule 21 – Legislation concerning appropriation of funds -- The Council's consideration of an initial resolution, as that term is defined in state law, also referred to as a Capital Spending Plan, authorizing a debt issuance shall be subject to the following requirements:

1. No such legislation shall be considered during the pendency of any ordinance adopting the Annual Operating Budget of the Metropolitan Government;
2. Following introduction and referral to committee, the legislation shall be deferred for at least one Council meeting to allow for thorough consideration;
3. Include the following information:
 - a. the total amount to be financed;
 - b. identification of each public works project to be financed, including the Capital Improvements Budget project number related to the proposed public works project, subpart, or category (if available);
 - c. for each public works project, the portion of the total amount to be financed being allocated for that public works project;
 - d. for each public works project, a description with reasonable specificity of any subparts or categories, and the portion of the total amount to be financed being allocated for each subpart or category; and
 - e. identification of where the proposed public works project appears (if at all) on the Metro Council's CIB Project Prioritization List.

No such legislation shall be considered if the department, agency, or office benefiting from the appropriation or expenditure has failed for 30 or more days to respond to a request for information submitted by the Council or any committee of the Council.

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Rule 36 – Motion to reconsider -- A motion to reconsider a vote of the Council on any ordinance or resolution can be entertained only on a final reading and an affirmative vote, and then only when the following have been complied with:

1. The maker of the motion to reconsider must have voted with the prevailing side.
2. The motion to reconsider must be made before the meeting is adjourned.
3. Not fewer than four members of the Council must second the motion, and these four members need not have voted with the prevailing side.

Such motion, properly made and seconded, must be considered and finally acted on at the next regular meeting of the Council or at a special meeting called for that purpose. Such motion shall not be debatable prior to its consideration and final action.

No statement that a member is proposing to offer a motion to reconsider at a later meeting is to be entertained by the Council.

Rule 39 – Special rules on consideration of operating budget ordinance --At any meeting wherein the operating budget for the ensuing fiscal year is being debated on third reading, the following provisions shall apply, any rule contained in these rules to the contrary notwithstanding:

1. No motion to amend the operating budget or a substitute operating budget ordinance may be entertained by the Council, unless such amendment or substitute budget has been submitted to the Budget and Finance Committee for a recommendation.
2. A second substitute budget ordinance may not be amended but must be acted upon as filed and presented.
3. A motion to table the budget ordinance or a motion for the previous question on the budget ordinance cannot be made until members have been allowed at least thirty minutes for debate.
4. A motion to table a substitute budget ordinance cannot be made until members have been allowed at least fifteen minutes for debate.
5. A motion to table an amendment to either the budget ordinance or a substitute budget ordinance cannot be made until members have been allowed at least five minutes for debate.

Rule 41 - Amendments to legislation and substitute legislation -- Except for zoning matters, budget, revenue service charges, economic development incentive ordinances or tax ordinances, no ordinance may be amended or substituted after second reading. No motion to amend the Capital Improvements Budget for the ensuing fiscal year, with the exception of the deletion of projects, shall be entertained by the Council unless such amendment was submitted in compliance with Rule 15.

Written copies of all amendments or substitutes to resolutions and ordinances, other than substitute resolutions awarding the sale of Metropolitan Government debt by public bid, must be distributed to all members not later than 9:00 a.m. on the Monday preceding a Tuesday regular meeting of the Council prior to any action being taken upon such matters by the Council or by any committee to which the matter has been referred. Distribution shall be made by electronic mail to all members and online posting on the Council website.

Any substitute resolution or ordinance offered by the primary sponsor shall automatically include the same co-sponsors, and in the same order of co-sponsorship, as the original legislation unless an individual co-sponsor submits a written request to the Council Office prior to consideration by the Council of the substitute indicating that they do not wish to be listed as a cosponsor of the substitute.

If a member other than the primary sponsor of a resolution or ordinance offers a substitute resolution or ordinance, that member shall become the primary sponsor of the resolution or ordinance upon approval of the substitute.

FINANCIAL MANAGEMENT RESOLUTION

In 1991, the Council passed a financial management resolution that set policy for the government in two areas: minimum fund balances to be maintained in the two general funds and the Schools fund and restricting the use of non-recurring revenue to fund recurring expenditures.

RESOLUTION NO. R89-959

A resolution affirming the mayor's financial management policy on the maintenance of fund balances and the use of nonrecurring funds. *(adopted November 21, 1991)*

WHEREAS, it is deemed to be in the best interest of the Metropolitan Government to maintain sufficient reserves in the GSD and USD general funds and the Schools operating fund to protect against unforeseen circumstances; and

WHEREAS, several sources have recommended the adoption of a formal policy dealing with fund balance; and

WHEREAS, Resolution No. R89-828 requested that the Vice Mayor appoint a five member committee of the Metropolitan Council to work with the Director of Finance to establish budgetary guidelines; and

WHEREAS, the Director of Finance has submitted a proposed policy dealing with maintenance of fund balance and the use of nonrecurring funds, which has been approved by the Mayor; and

WHEREAS, said policy has been reviewed and approved by the special Council committee.

NOW, THEREFORE, BE IT RESOLVED by the Council Of The Metropolitan Government Of Nashville and Davidson County:

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SECTION 1: That the Metropolitan Council goes on record supporting, to the extent of its authority, the attached Financial Management Policy which has been implemented by the Mayor.

SECTION 2: That this Resolution shall take effect from and after its adoption, the welfare of The Metropolitan Government of Nashville and Davidson County requiring it.

FINANCIAL MANAGEMENT POLICY

Maintenance of Fund Balance and Restriction of Use of Non-Recurring Revenue:

It shall be the policy of the Metropolitan Government of Nashville-Davidson County to maintain sufficient reserves in fund balances, to protect the financial position of this government in the event of unexpected emergencies or unforeseen downturns in revenue collection. Based on input from various sources it is hereby established that an amount equal to 5% of the three operating funds' budget (the GSD and USD General Funds and the General Purpose School Fund) shall be maintained in fund balance as a reserve.

It is the intention of the Metropolitan Government of Nashville-Davidson County to achieve these reserves by the conclusion of fiscal year 1993. In order to accomplish this goal, it is the intent to make no appropriation of fund balance in the three operating funds until such time as fund balances equal 5% of that fund's operating budget. In addition, all alternatives to increase fund balances will be explored, including implementation of the efficiency study recommendations where possible; revenue raising options; ongoing review of services and service levels; and utilization of expenditure controls.

It shall also be the policy of the Metropolitan Government of Nashville-Davidson County to refrain from using nonrecurring revenue to fund ongoing operations of the three operating funds. Nonrecurring revenue shall be those funds not normally accrued to the benefit of the operating funds each year, including transfers from special, enterprise, and internal service funds. Any nonrecurring revenue received shall be utilized to fund activities which do not require ongoing funding or to build reserves.

DEBT MANAGEMENT POLICY

Purpose and Use of Debt Issuance:

Debt is to be issued pursuant to the authority of and in full compliance with provisions, restrictions and limitations of the Charter and the Constitution and laws of the State of Tennessee (including without limitation Title9, Chapter 21, Tennessee Code Annotated, and Title 7, Chapter 34, Tennessee Code Annotated (together, the "State Debt Statutes")), pursuant to resolutions adopted by the Metropolitan Council.

1. Debt may be issued for public purposes of the Metropolitan Government as permitted by the State Debt Statutes.
2. Debt may be used to finance capital projects authorized by resolutions of the Metropolitan Council and to fund costs of issuance, capitalized interest and debt service reserves, all as set forth in the resolution(s) of the Metropolitan Council.
3. Debt may only be used to fund operating expenditures when such debt is repaid in the fiscal year issued.
4. Bonds may be issued to refinance outstanding debt.

FUND BALANCE POLICY

The Metropolitan Government of Nashville and Davidson County (the "Metropolitan Government" or "Metro") recognizes that Fund Balance Reserve Policies are a recommended 'Best Practice' by the Government Finance Officers Association.

Fund Balance Reserve Policies tailored to the needs of the Metropolitan Government: (1) demonstrate a commitment to long-term financial planning; (2) improve the quality of budgetary decisions; and (3) promote long-term fiscal health and equitable outcomes for Metro residents.

These policies govern the maintenance of adequate levels of Unrestricted Fund Balance in each governmental fund, which is essential to mitigate current and future risks (e.g. revenue shortfalls/declines or unexpected expenditures), to ensure continuity of government services, and to ensure stable tax rates.

Adherence to Fund Balance Reserve Policies signals to the citizens of the community, the rating agencies, and the capital markets that the Metropolitan Government is well-managed, is able to meet its obligations in a timely manner, and has the resources necessary to accommodate unforeseen circumstances.

Goals & Objectives of the Fund Balance Reserve Policies

The Goals of these policies are as follows:

To provide the Metropolitan Government with guidelines to ensure that there is adequate Unrestricted Fund Balance or in each of Metro's governmental funds to meet annual operating cash flow needs, to provide funds for unforeseen circumstances, and to promote long-term fiscal health and equitable outcomes for Metro residents. In addition, these

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policies help to ensure that the Metropolitan Government satisfy certain clear objective standards in establishing and maintaining adequate levels of Reserves.

The objectives of these policies are as follows:

- a. To document responsibility for the oversight and management of Metro's Fund Balance Reserves
- b. To define the types of fund balance that will comprise Metro's Fund Balance Reserves
- c. To define the criteria for establishing and maintaining Metro's Fund Balance Reserves
- d. To define the criteria for use of the Metro's Funds Balance Reserves
- e. To protect and enhance the Metropolitan Government's credit ratings
- f. To promote equity for all Metro residents

Fund Balance

Fund Balance is the term used to describe the net position of governmental funds calculated in accordance with Generally Accepted Accounting Principles ("GAAP") and represents the measure of the financial resources available in Metro's governmental funds. GAAP financial statements may have up to five separate fund balance categories depending on the type and source of constraints placed on how resources can be spent. The Fund Balance categories in order of most constraining to least constraining are as follows:

- Nonspendable Fund Balance
- Restricted Fund Balance
- Committed Fund Balance
- Assigned Fund Balance
- Unassigned Fund Balance

The total of the amounts comprising the Committed, Assigned, and Unassigned Fund Balance is typically referred to as Unrestricted Fund Balance.

The adequacy of Unrestricted Fund Balance should take into account Metro's unique circumstances, which include governmental fund structure comprised of separate budgeting and accounting for Metro's governmental funds. The Fund Balance Reserve Policies discussed in this document shall apply to the following governmental funds of the Metropolitan Government:

- General Fund of the General Services District (the "GSD Fund")
- General Fund of the Urban Services District (the "USD Fund")
- General Purpose School Fund
- GSD General Purposes Debt Service Fund
- GSD School Purposes Debt Service Fund
- USD General Purposes Debt Service Fund

The Unrestricted Fund Balance that pertains to the GSD Fund, the USD Fund, and General Purpose School Fund shall be referred to as the Operating Reserve. Such reserve shall be comprised of Unassigned Fund Balance and Committed Fund Balance that is committed due to the specific type of fund in which it is held. Fund Balance that is committed or assigned to be spent on specific budgeted purposes shall not count toward meeting the policy target levels.

The Unrestricted Fund Balance that pertains to the GSD General Purposes Debt Service Fund, GSD School Purposes Debt Service Fund, and the USD General Purposes Debt Service Fund shall be referred to as the Debt Service Fund Balance. Such reserves shall be comprised of Unassigned Fund Balance and Committed Fund Balance that is committed due to the specific type of fund in which it is held (as defined under "Operating Reserve" and "Debt Service Fund Balance" sections below). Fund balance that is committed or assigned to be spent on specific budgeted purposes shall not count toward meeting the policy target levels.

The Operating Reserve and Debt Service Fund Balance shall be collectively referred to as "Fund Balance Reserves" or "Reserves".

Operating Reserve

The Operating Reserve shall have a Minimum Target of 17.0% in each governmental fund (which amount is approximately two months of the Metropolitan Government's Budgeted Operating Expenditures). Or, if so determined by the Finance Director, an amount no greater than 3.0% above the Minimum Target that is sufficient to minimize, if not avoid, the need for annual cash flow Tax Anticipation Note ("TAN") borrowings.

For the purposes of Minimum Target calculation for the Operating Reserve, Budgeted Operating Expenditures includes the expenditures and transfers out of the GSD Fund, USD Fund, and General Purpose School Fund included in the adopted budget.

30% of the Operating Reserve is designated as an Operating Budget Stabilization Reserve.

Use of the Operating Reserve

The Metropolitan Government may incorporate the use of the Operating Reserve through its annual budget ordinance as adopted by the Metropolitan Council or through supplemental appropriations legislation as adopted by the Metropolitan Council in a given fiscal year pursuant to meeting the criteria below.

1. For Budget Stabilization In the event of an economic downturn, the Operating Budget Stabilization Reserve is designated for use as Bridge Funding necessary to offset revenue declines during a recession. For purposes of this

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policy, declines in Local Revenue Sources shall guide the Metropolitan Council's assessment in using the Operating Budget Stabilization Reserve when, during the budget process, it is projected that Local Revenue Sources in the next fiscal year's budget will decline.

In addition, one or more of the following conditions must occur based on data as reported by Federal Reserve Economic Data of the St. Louis Fed (www.fred.stlouisfed.org) or successor national economic database in conjunction with a decline in Local Revenue Sources:

- a. The National Gross Domestic Product has declined in the two most recent quarters with available data.
 - b. Local housing prices as estimated by the year-over-year change in the All-Transactions House Price Index for Nashville-Davidson-Murfreesboro-Franklin, TN MSA have decreased by more than 10% in the prior 24 months
 - c. Year-over-year change in the unemployment rate for Nashville-Davidson-Murfreesboro-Franklin, TN MSA is in excess of 2.0% at any time in the prior 12 months; or
 - d. Year-over-year Employment in the Nashville-Davidson-Murfreesboro-Franklin, TN MSA has declined by at least 2.0% at any time in the prior 12 months.
2. For Unforeseen Circumstances in a Fiscal Year Use of the Operating Reserve, other than the Operating Budget Stabilization Reserve, may only be used to address one-time Unusual, Unanticipated, and Unforeseen Expenditures or Unanticipated/Unexpected Revenue Declines only after all other reserves or budgeted contingency funds have been exhausted.

Any proposed uses of the Operating Reserve which will decrease the Operating Reserve below the Minimum Target shall include a justification presented to the Metropolitan Council and shall require approval from a majority of Council Members.

Debt Service Fund Balance

The Debt Service Fund Balance shall have a Minimum Target of 50% of the Budgeted Debt Service in each governmental fund. Or, if determined by the Finance Director, an amount no greater than 3.0% above the Minimum Target that is sufficient to minimize, if not avoid, the need for annual cash flow Tax Anticipation Note ("TAN") borrowings.

Use of Debt Service Fund Balance

The Metropolitan Government may incorporate the use of the Debt Service Fund Balance through its annual budget ordinance as adopted by the Metropolitan Council or through emergency legislation as adopted by the Metropolitan Council in a given fiscal year pursuant to meeting the criteria below.

The Debt Service Fund Balance may only be used to address one-time Unusual, Unanticipated, and Unforeseen Expenditures or Unanticipated/Unexpected Revenue Declines only after all other reserves or budgeted contingency funds have been exhausted.

Any proposed uses of the Debt Service Fund Balance which will decrease the Debt Service Fund Balance below the Minimum Target shall include a justification presented to the Metropolitan Council and shall require approval from a majority of Council Members.

Replenishment of Fund Balance Reserves

Upon the use of any Fund Balance Reserves that causes such Reserves to fall below the Minimum Target levels, the Metropolitan Council must approve and adopt a plan to restore amounts used within 36 months. If restoration of the Reserves cannot be accomplished within such period without severe hardship to the Metropolitan Government, then the Metropolitan Council will establish a different time period.

Annual Review

During the annual budget process, the Metropolitan Government will review the estimated Fund Balance Reserve levels of the current fiscal year in relation to the proposed budget under consideration for adoption. Any addition to the Fund Balance Reserves, if necessary, to maintain compliance with policy target levels and/or replenish any amounts used shall be incorporated into the proposed budget under consideration for adoption. In addition, Metro shall also review the Fund Balance Reserve policy target levels and increase such levels as may be necessary in order to further the goals of this policy.

Application of Surpluses for the Replenishment of Fund Balance Reserves

Up to 100% of each year's Calculated Surplus in the General Fund shall be allocated to the replenishment of Fund Balances during the Annual Review in connection with the annual budget adoption process.

Each year's Calculated Surplus shall be allocated based on the following prioritization:

1. First, a minimum of 50% to the Operating Reserve, or any amount in excess of 50% (up to 100%) as deemed necessary by the Metropolitan Council to sufficiently fund the Operating Reserve in compliance with policy target levels. If the Debt Service Fund Balance is at its target level, then up to full 100% may be applied to the Operating Reserve as needed. In the event that the Debt Service Fund Balance is not at its target level and there is not a surplus in the Debt Service Funds, then the Metropolitan Council may appropriate surplus funds from the Operating Reserve to the Debt Service Funds in order to satisfy the target level.
2. Second, if the Operating Reserve is at its target level, then a minimum of 50% to the Debt Service Fund Balance, or any amount in excess of 50% (up to 100%) as deemed necessary by the Metropolitan Council to sufficiently

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fund the Debt Service Fund Balance in compliance with policy target levels. If the Operating Reserve is at its target level, then up to the full 100% may be applied to the Debt Service Fund Balance as needed.

3. Third, upon the allocation of Calculated Surplus per items one and two above, any remaining balance to be allocated for any of the following ***One-Time*** purposes:
 - a. Capital expenditures;
 - b. Debt reduction; and/or
 - c. The establishment of other reserves to enhance the Metropolitan Government's financial position/wherewithal.

Prior to the allocation of any remaining fund balance for the above-referenced One-Time purposes, each proposed allocation will be submitted for an equity analysis utilizing tools developed by the Office of Diversity, Equity and Inclusion.

TENNESSEE CODE ANNOTATED 9-1-116 Programs and services limited to extent funds available.

(a) Notwithstanding any other provision of the law to the contrary, availability of programs and services to people in this state shall be limited to the extent that funds are appropriated by the general assembly or the appropriate governing body of a political subdivision.

(b) No person shall be entitled to ... any program or any services provided by or through the state, its departments, agencies or political subdivisions unless funds remain available for such program or service from moneys appropriated for that purpose by the general assembly or the appropriate governing body of a political subdivision.

TENNESSEE CODE ANNOTATED 7-3-314 Financial assistance to nonprofit organizations.

This section, not reproduced here, governs contributions by Metropolitan Governments to qualified nonprofit organizations.

RECENTLY PASSED LEGISLATION AFFECTING METROPOLITAN FINANCIAL MANAGEMENT

Bill BL2018-1283 (as amended)

Section 5.04.140 – Prohibition on use of real property proceeds.

Proceeds from the sale of real property owned by the metropolitan government shall not be used for operating expenses of the metropolitan government.

Proceeds from the sale of real property owned by the metropolitan government, other than real property acquired pursuant to section 67-5-2501 of the Tennessee Code Annotated, shall not be relied upon as a funding source for operating expenses in any proposed operating budget.

Any proceeds from the sale of real property owned by the metropolitan government, other than real property acquired pursuant to section 67-5-2501 of the Tennessee Code Annotated, shall be used exclusively for the payment of debt services or the purchase other real property.

This section is not intended to interfere with the procedures for the disposition of property for the Metropolitan Government pursuant to Chapter 2.24, Part II, of the Metropolitan Code of Laws.

Bill BL2019-1487

5.04.110 – Annual reports to the metropolitan council.

The director of finance shall submit annual reports to the metropolitan council as follows:

1. Not later than May 1 of each year, the director of finance shall submit a report to the metropolitan council providing a summary of the metropolitan government's outstanding debt.
2. Such report shall be presented to the metropolitan council in conjunction with the presentation of the mayor's proposed operating budget...
3. Not later than November 30 of each year, the director of finance shall submit a report to the metropolitan council providing a summary of all Lending Fund transactions involving an appropriation of funding from one such fund to the other.

Bill BL2019-1486

An ordinance requiring the Metropolitan Government of Nashville and Davidson County to provide an online link to any Report on Debt Obligation that it is required to file with the State of Tennessee.

Bill BL2019-43 (as amended)

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An ordinance to amend Chapter 5.04 of the Metropolitan Code to require certain financial communications from the State of Tennessee to be submitted to the Metropolitan Council by adding the following new subsection 5.04.115.

Subsection 5.04.115 – Submission of finance communications from the State of Tennessee to the Metropolitan Council.

- A. Copies of all financial communications from the State of Tennessee to the metropolitan government that are a disclosable public record under T.C.A. § 10-7-503 shall be submitted to the director of the metropolitan council office within seven days of receipt, provided that such communications that reflect negatively on the finances of the metropolitan government shall also be emailed directly to the councilmembers within seven days of receipt.
- B. The department head for the applicable department, board, commission, office, or agency shall be responsible for ensuring such communication is submitted to the director of the council office as required by this section. The department head for the applicable department, board, commission, office, or agency shall be responsible for ensuring such communication is submitted to the director of the council office as required by this section.

Bill BL2020-336 (as amended)

An ordinance requiring the Director of Finance to provide recommendations to the Metropolitan Council regarding revisions to the Metropolitan Government's Debt Management Policy.

Section 1– The Director of Finance shall recommend to the Metropolitan Council not later than January 1, 2021, revisions to the Metropolitan Government's Debt Management Policy, if any are appropriate, which may include without limitation: (a) the impact of unfunded Other Post-Employment Benefits (OPEB) liability on Metro's capacity to obtain debt; (b) whether it would be considered prudent to set limits regarding the general amounts, terms, and conditions of each major category of debt for the General Fund of the General Services District, General Fund of the Urban Services District, and Schools General Fund; and (c) other matters that should be updated in the existing policy.

Bill BL2020-534

An ordinance to require a debt report from the Director of Finance each time a capital spending plan is filed containing specific information about the impact the capital spending plan will have on the Metropolitan Government's debt levels.

Section 5.04.110 of the Metropolitan Code is hereby amended by adding the following new subsection C.:

C. In addition to the annual debt report required by this section, the Director of Finance shall provide the Metropolitan Council with a report at the time a capital spending plan initial general obligation bond resolution is filed.

Such report shall at a minimum include the following:

1. Total CSP amount
2. Annual debt requirement projections for the CSP
3. Percentage of CSP debt of general government expenditures
4. The percentage of the annual operating budget appropriated for the payment of commercial paper and general obligation bond debt service for the current fiscal year and for each of the prior five fiscal years
5. Total debt compared to assessed value after adoption of the CSP
6. Projected capital spending plan amounts for each of the next five years if known

Bill BL2021-970

An Ordinance amending Section 2.24.250 of the Metropolitan Code of Laws to require the proceeds of the sale of delinquent tax sale properties to be deposited into the Barnes Fund for Affordable Housing by deleting the former subsection G of Section 2.24.250 and replacing with the following:

G. Notwithstanding Section 5.04.140 of the Metropolitan Code of Laws, when the director of public property administration determines that there is a parcel of property acquired through the delinquent tax-sale process established in Tennessee Code Annotated § 67-5-2501 et seq. and no department nor any affordable or workforce or any similar housing agency has any use for the parcel, the director is authorized, with the approval of the metropolitan council, to sell such property, and the proceeds shall be deposited into the Barnes Fund for Affordable Housing. Such proceeds shall not be construed as prohibiting other appropriations to the Barnes Fund separate from the annual operating budget ordinance of the metropolitan government from available revenue sources. This is intended to provide additional funding to the Barnes Fund above and beyond the annual funding provided in the operating budget each year.