

Property Taxes (Updated 5/26/2020)

Council Member inquiries regarding property tax rates and/or the proposed increase.

1. Why is the entire recommended increase in the GSD rate? There are many things this increase will be paying for that are USD services and needs? We used to be at 85 cents differential, and it has been whittled down to 40 cents, but the GSD has not gotten additional services to adjust the cost.

Finance response: The Mayor's proposed budget, inclusive of the property tax increase, does not include significant incremental changes to services already provided in each district. Rather, the increase benefits the entire county in many ways, particularly the replacement of lost revenue from sales and other activity taxes, accumulation of rainy day monies, and maintaining public education. Raising the property tax rate in the GSD results in all property owners paying the same rate increase and also results in a higher level of additional revenues generated by an increase in the property tax rate. Speaking in round numbers, a penny increase in the GSD generates \$3.2 million in revenue, while a penny increase in the USD generates \$2.4 million in revenue.

It should be noted that a significant portion of Metro's revenues flow through the state, such as Local Option Sales Taxes, Alcohol Beverage Gross Receipts Taxes and Business Taxes. Because Metro is a consolidated city/county government, the revenues coming through the state that in other jurisdictions are designated to either a city or a county are generally allocated to the GSD budget, since most of the services are provided throughout the GSD and are budgeted in the GSD.

If Metro strictly followed an allocation of the revenues flowing through the state based on the location of where those revenues were generated as reported by the state, the USD would receive \$130 million more of those revenues and the GSD would receive \$130 million less of those revenues. The increased costs in the USD in any given year are typically covered by allocating a larger portion of the sales and other taxes that come through the state to the USD, as was the case this year.

2. Speaking of the USD and GSD rates, can we get an explanation of how something is determined as a USD or GSD expense? The level of Metro services in the GSD, especially in the outer parts of the county, are very low.

Finance response: Expenses in the USD General Fund generally represent costs associated with additional services provided in the USD by the Fire and Public Works departments, including trash collection, street lighting and fire protection. However, the majority of services provided throughout Metro are budgeted in the GSD, including services provided by Schools, Police, Fire, Parks, Libraries, Health and Sheriff. Metro government has grown in the size and in the complexity of services since the city of Nashville and Davidson County consolidated in 1963, and the distinction between the services provided to the GSD and USD have become less pronounced. As a result, the level of services provided throughout Metro has increased and there is far less variation in services between the two districts. The conventions used to attribute costs to the GSD and USD have been relatively consistent in recent years. A more precise allocation of those costs would require that an in-depth cost study be undertaken in the future.

3. Is the cost to be in USD really just 40 cents more than GSD, or is it higher?

Finance response: Part of the cost in the USD is covered by other revenues generated in the USD. See the questions related to the GSD / USD tax rate above.

4. Can we build a multiple phased approach to property tax increases with a bridge loan?

CM Mendes response: I believe you will hear that the answer to this in "No." Crumbo is as creative a finance person as I have ever been around. Between the Comptroller's guidance against incurring debt to fund an operating budget...and the fact that, with no rainy day fund, we would have to raise taxes now to pay back any bridge financing, this is a dead end. Good question, but I am confident Crumbo has explored it exhaustively.

5. Can we get a history by year- last 3-4 years of organic growth of new development commercial and residential real estate value and new property taxes each year?

Finance Response:

The attachment below shows a history of growth in total property tax revenue with no increase in rates.

<https://www.nashville.gov/Portals/0/SiteContent/Council/docs/budget/fy21/council-questions/PropertyTaxRevenueGrowth.xlsx>

6. Can you explain the difference between the \$986.1M tax levy shown on page A-29 of FY21 budget book and for the last year listed in the FY19 A-6 budget book the \$1,036.3M that is listed as the property tax budget for FY2019?
 - a. Where is that extra \$50 million coming from?

Finance Response: The primary difference between the current year budget book and the amount listed in the property tax budget for FY 19 is that the amount listed in the executive summary on page A-6 in FY19 was an estimate. During the budget process, Finance receives the estimated property tax revenue from the Assessor's office based on a the most current information at the time. However, after the budget is passed, the Assessor's office continues to update property records and will continue to update the property rolls until the preparation of tax bills in the fall. So the actual amount for FY 2019 will differ from the original estimate. The second reason for a difference is that the executive summary in the budget book includes all property tax revenues for the current year as well as anticipated collections from prior years and expected payments in lieu of taxes.

7. Can Metro Finance break down the amount of USD taxes that go towards street lights and trash collection?
 - a. How much goes towards curbside recycling

Finance Response:

\$20.4 million of the USD Public Works budget is for trash collection (waste management) and the remaining \$10.1 million is for street lighting, including maintenance and replacement.

- a. \$2.7m goes towards curbside recycling.