



FY 2022 Nashville Recommended Budget

APRIL 30, 2021

Finance Director- Kevin Crumbo

Metropolitan Government of Nashville and Davidson County



Metro Finance Website

Download documents, including:

Educational Videos, Ordinance, Presentations,
Budget Book, Treasury & Debt Reports
Citizens' Guide to the Metro Budget

[Nashville.gov/citizens_budget](https://www.nashville.gov/citizens_budget)

What is our financial position now?

- Stable
- Core financial trends are favorable:
 - Revenue
 - Spending
 - Debt
 - Cash & fund balances
 - OPEB (other post-employment benefits)
- Core trends bolstered by the American Rescue Plan

CARES Act Update

Local Government Coronavirus Relief Fund (CRF)	
City's Emergency Response Expenditures	Amount in millions
Expenditures Estimated through Dec 30, 2020	\$68.8
Supporting Metro Nashville Public Schools	
Laptops, hotspots, digital curriculum, at-home school supplies	24.0
Supporting the Health and Economic Welfare of Individuals	
Economic support to individuals for rent, mortgage and utilities	13.8
Contracted Non-profits Services	2.8
Economic support to individuals for food insecurity	2.5
Reinforcing the Infrastructure of Nashville and Its Economy	
Small business grants- consulting and grants	5.7
Live Music Venue - Operational Support Grants	1.0
Metro Arts Commission- Fund for arts organizations	2.0
Nashville Farmers Market - small biz grants/rent relief for vendors	0.5
Coronavirus Relief Funds approved by Metro Council	\$121.1

Other COVID-19 Grants

CARES Act Funding

US Department of the Treasury - Coronavirus Relief Fund		Amount in millions
Metropolitan Nashville direct allocation		\$121,122,775
Department of Education - Education Stabilization Fund		
Metropolitan Nashville Public Schools		23,748,967
Department of Health and Human Services		
Metropolitan Action Commission		4,635,751
Nashville General Hospital		10,895,525
Nashville Fire Department Emergency Medical Services		373,542
Department of Justice		
Metropolitan Nashville Police Department		1,551,648
Department of Transportation		
WeGo, RTA, Franklin, and Williamson County		75,737,828
Metropolitan Airport Authority		60,963,454

Continued on next slide

Other COVID-19 Grants (cont.)

CARES Act Funding	
Department of Housing and Urban Development	Amount in millions
Metropolitan Development and Housing Agency	20,349,021
Department of Agriculture	
Metropolitan Nashville Public Schools	1,291,847
Metro Nashville	154,503
Nashville Farmers Market	250,000
Department of Homeland Security	
Nashville Fire Department	903,301
Independent Agencies	
Davidson County Election Commission	672,368
Metropolitan Arts Commission	35,000
Nashville Public Library	18,258
Total known funding to Metropolitan Government of Nashville and Davidson County & Agencies	\$322,703,788

COVID-19 FEMA Reimbursements

- We estimate recovering ~\$20M of COVID-19 pandemic related expenses from FEMA
 - Lab testing and direct costs of the testing assessment centers
 - Certain sheltering costs of the homeless population
 - PPE and sanitization expenses
- Approx. \$13M of our claim has been approved, but not yet funded.

Other Emergency Responses

- March 3 Tornado, May 4-5 Derecho, May 30 Civil Unrest, December 25 Bombing, February Ice Storm, March 25 Wind & Hail Storm, March 27-28 Flood.
- Total damage and related expenses of nearly \$48M.
- Approximately \$33M of damages and related expenses covered by FEMA, insurance, or other grants.
- The remaining \$15M has been accounted for through the FY 20 CSP, the rainy day fund established in FY 21, and the Property Loss Fund

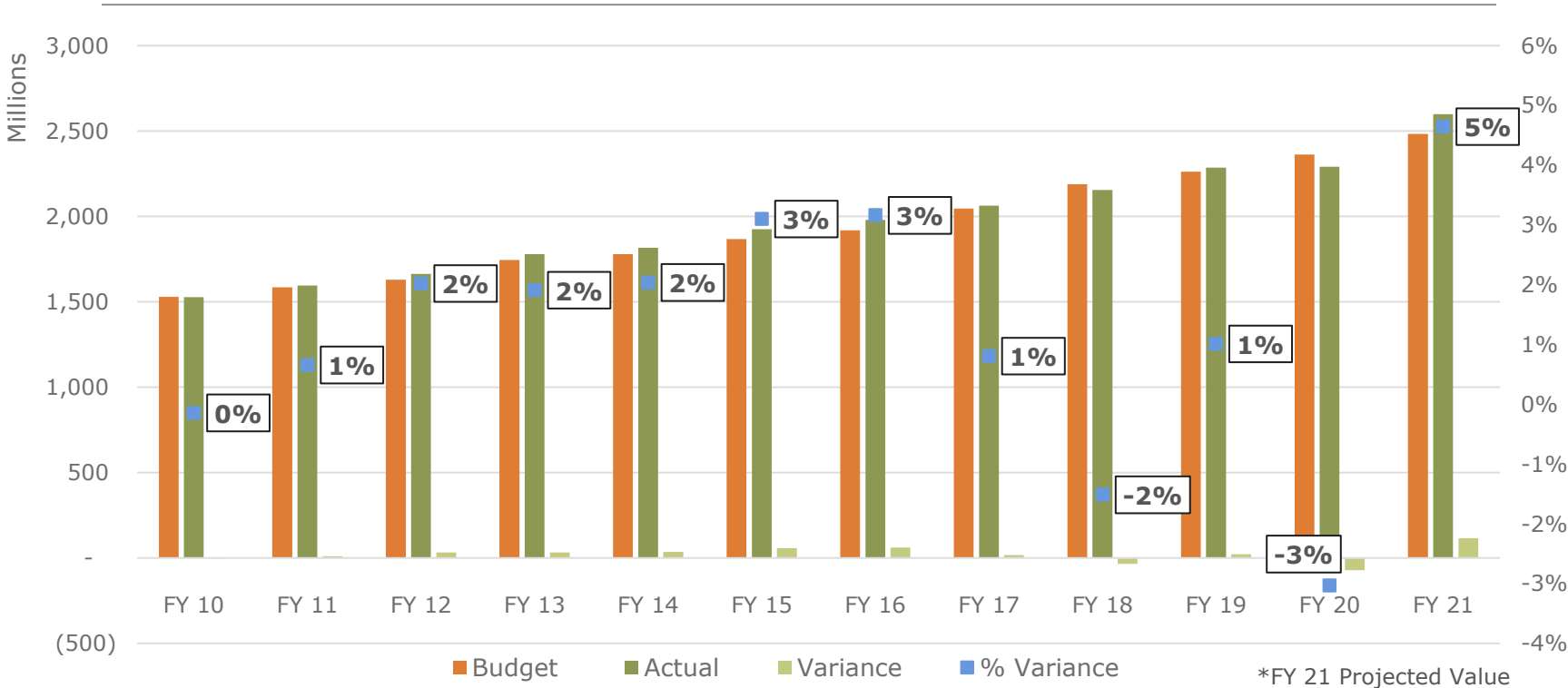
FY 2021

Revenues

FY 2021 Revenue Forecast Environment

- Estimates revised during earliest stages of the pandemic, with significant unknowns regarding:
 - Disease's pathology and trajectory
 - Public health response and recommended guidelines
 - Economic and financial market impacts
 - Potential tax noncompliance from businesses to conserve capital
 - Federal stimulus
 - Monetary policy
 - Moratorium on evictions & foreclosures
 - Tax filing extensions
 - Industries with greatest exposure
 - Psychological response, eventual willingness for return to normalcy
 - Potential consumption shifts
 - Online sales tax collection implications
 - Potential for additional waves
 - Timing constraints – revenues received two months after activity occurs

Revenue Budget Performance FY 2010-2021



FY 2021 Revenues

- Pandemic created an unprecedented economic environment that has challenged traditional financial forecasting. These were magnified by 2021's well-known natural disasters, social unrest, and downtown bombing.
- While impact varies considerably by source, overall revenues are expected to exceed budget by about 5%, primarily due to activities taxes:
 - Local Option Sales Tax: \$89M
 - State Sales Tax: \$10M
 - Business Tax: \$23M
- Primary drivers are vaccination timeline and effectiveness, federal stimulus, ability to collect online sales taxes, consumption shifts, etc.

FY 2022 Guiding Principles

- Effective Government
- Livable and Sustainable Neighborhoods
- Safety and Justice
- Transportation
- Education

FY 2022 Recommended Budget

\$2,646,580,300

7.31% increase over FY 2021

\$180,318,100

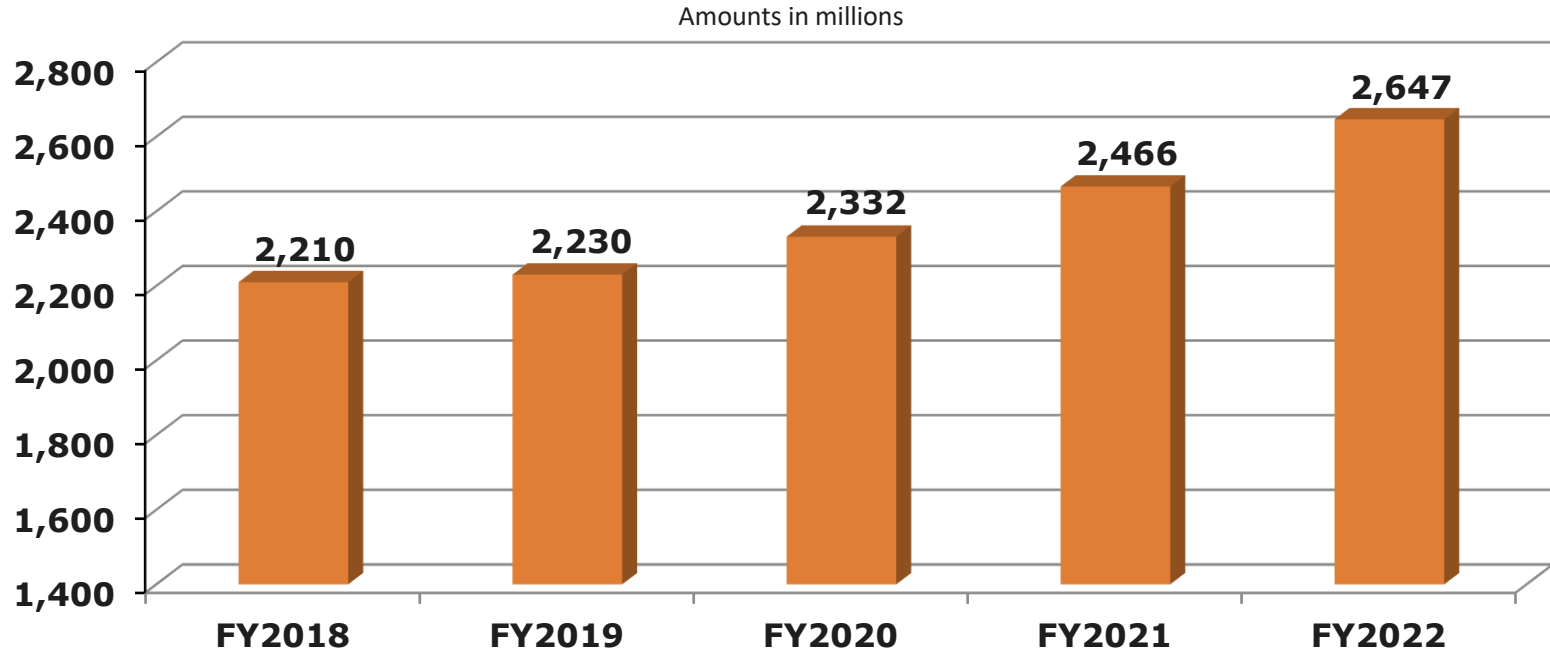
FY 2022 Recommended Budget

Revenues

Revenue Outlook for FY 2022

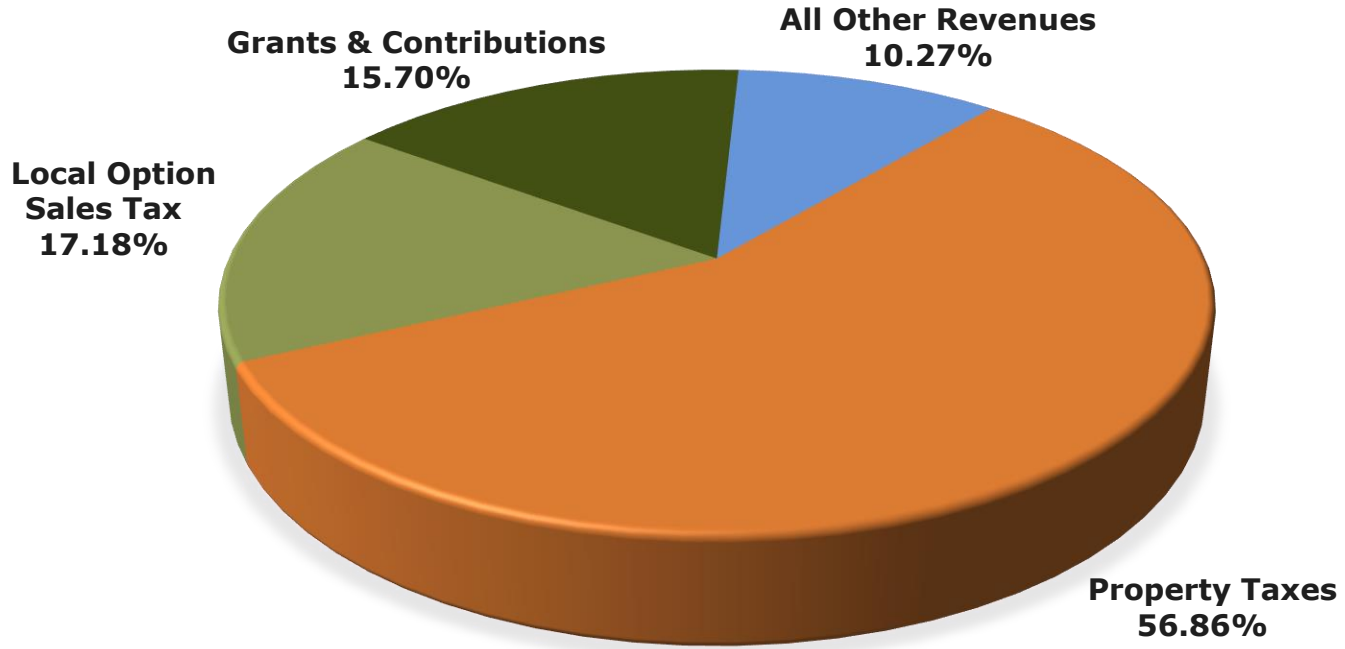
- Property tax collections required to be neutral during a reappraisal year, with exception of new construction. Finance will assess performance throughout fiscal year and make any necessary midyear appropriations for appeals allowances and collections experience.
- Forecasts overall assume continued stability of primary sources
 - Revenue baselines reset in response to pandemic; pre-pandemic growth not anticipated over the near to intermediate terms
 - Tourism component of revenue still uncertain, given capacity restrictions of large events and potential reservations around conventions and corporate travel
 - Of FY 2022's \$180.3M revenue increase, only \$52.2M represents growth over previous year's anticipated collections

Total Revenue Budget Growth



Budget amounts taken from Substitute Budget Ordinances as approved by Metro Council

FY 2022 Where the Money Comes From

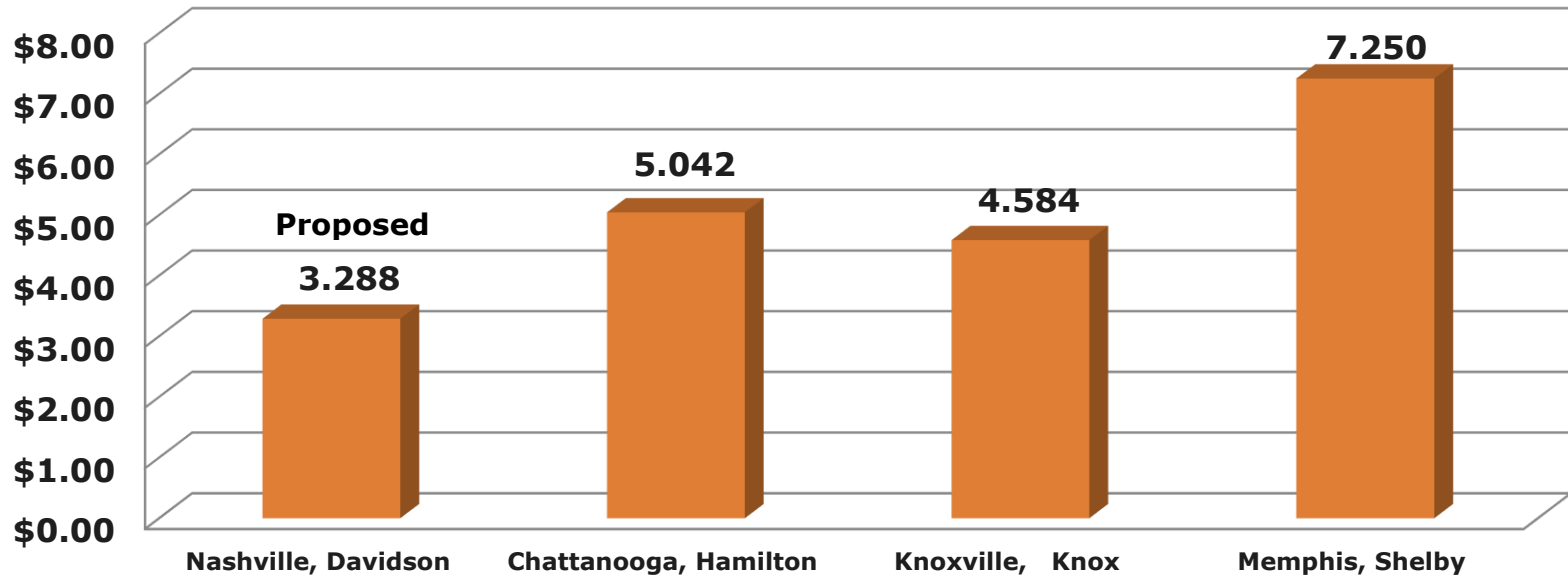


Proposed Certified Tax Rate

	GSD	USD (additional rate)	COMBINED
Current Tax Rate	\$3.788	\$0.433	\$4.221
Preliminary Certified Tax Rate	2.953	0.335	3.288
Net Change	(0.835)	(0.098)	(0.933)

***Third lowest combined tax rate in the history of Metro Government
(2018-2020: \$3.155; 1984: \$3.170)***

Major City/County FY 2022 Property Tax Rates*



* Chart shows FY 2021 Tax Rates for other cities. FY 2022 Tax Rates still being determined.

Budgeted Revenue Growth of \$180.3M*

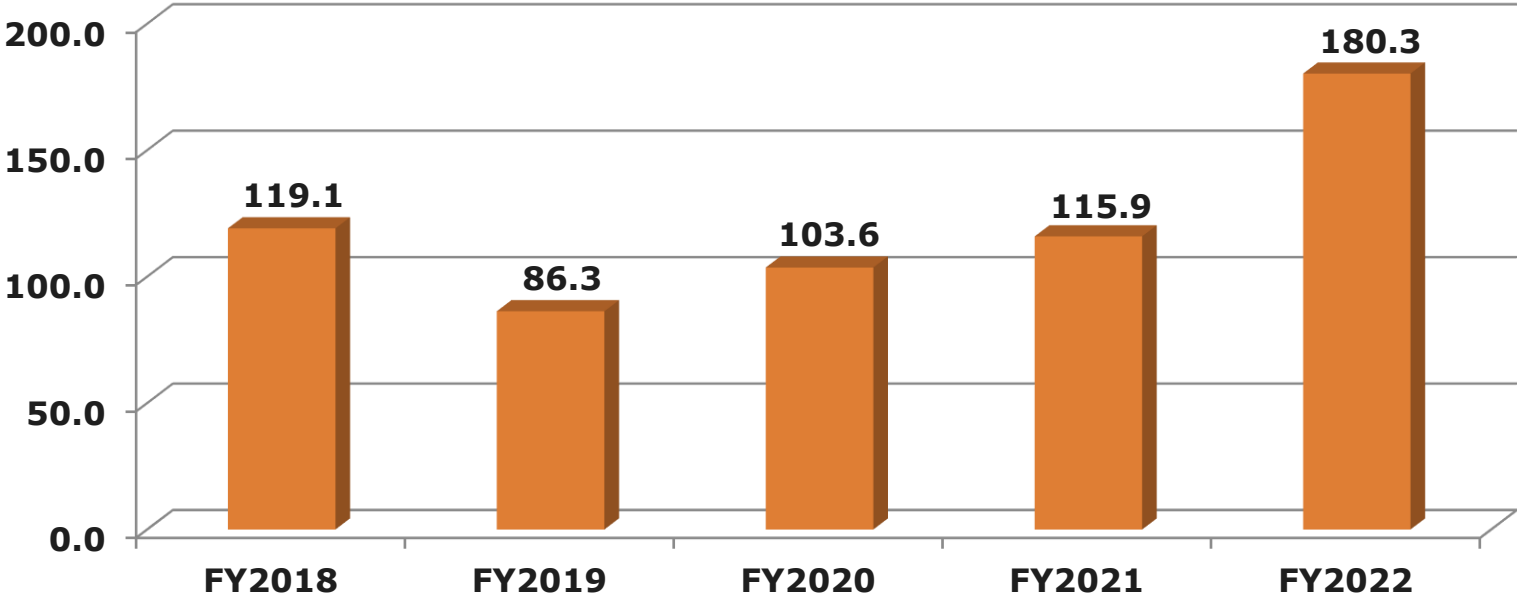
- Revenue Increases:
 - Property Taxes: \$47.8M
 - Local Option Sales Tax: \$102.5M
 - All Other: \$86.6M

- Revenue Decreases:
 - CCA MOU: \$35M
 - Hall Income Tax: \$6.9M
 - All Other: \$14.7M

*\$128.1M result of revenue baseline being reset in response to pandemic; includes growth of \$52.2M over FY 2021's projected collections

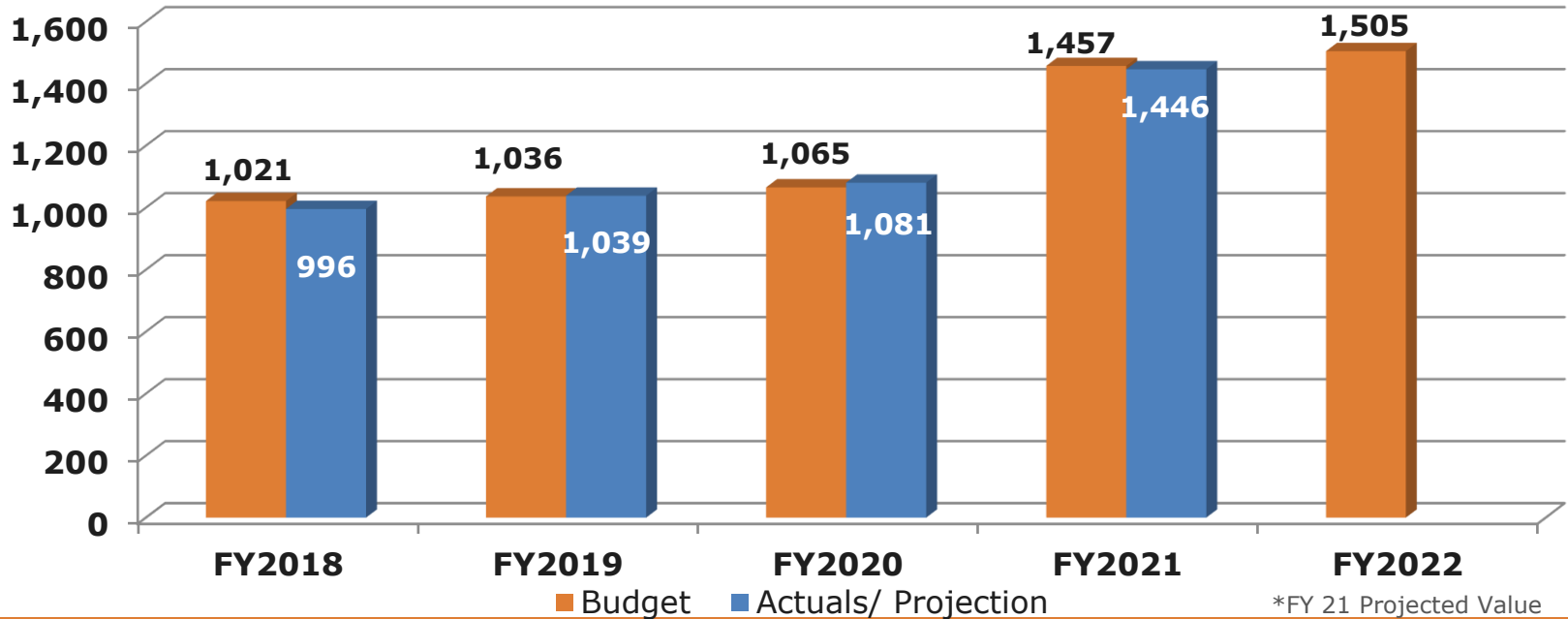
Budgeted Revenue Growth

Amounts in millions



Property Tax Trends

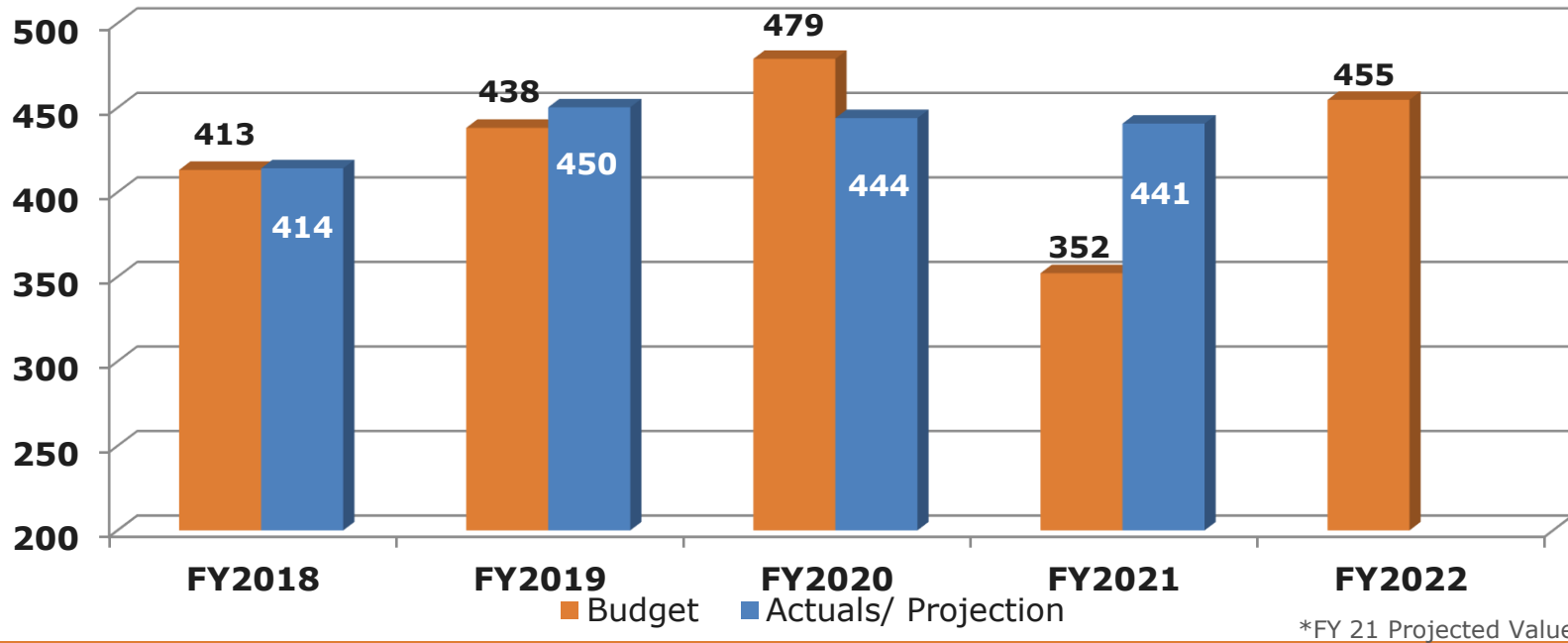
Amounts in millions



Sales Tax Trends

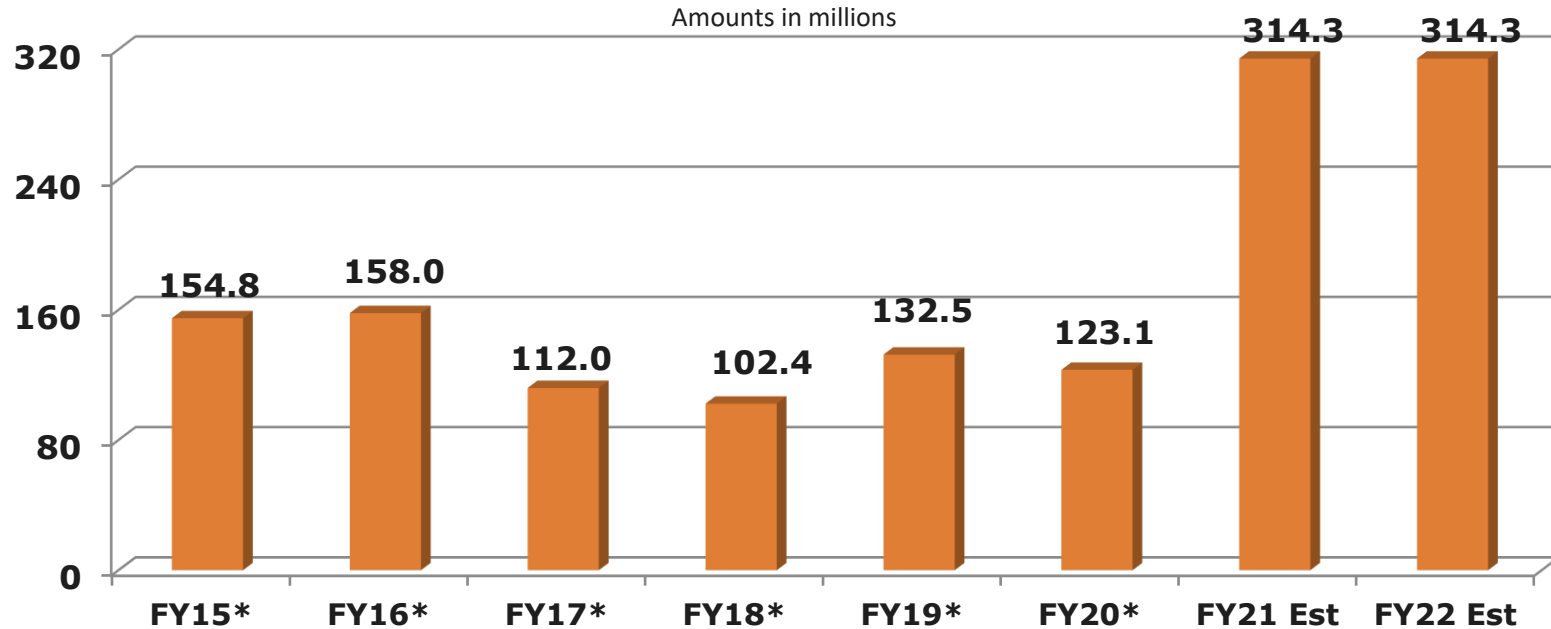
Amounts in millions

While FY 21 has exceeded forecast, lost revenue in terms of previous trajectory and lower projected future growth also evident below.



Fund Balances

General, Schools and Debt Service Funds



*AFR: Annual Financial Report

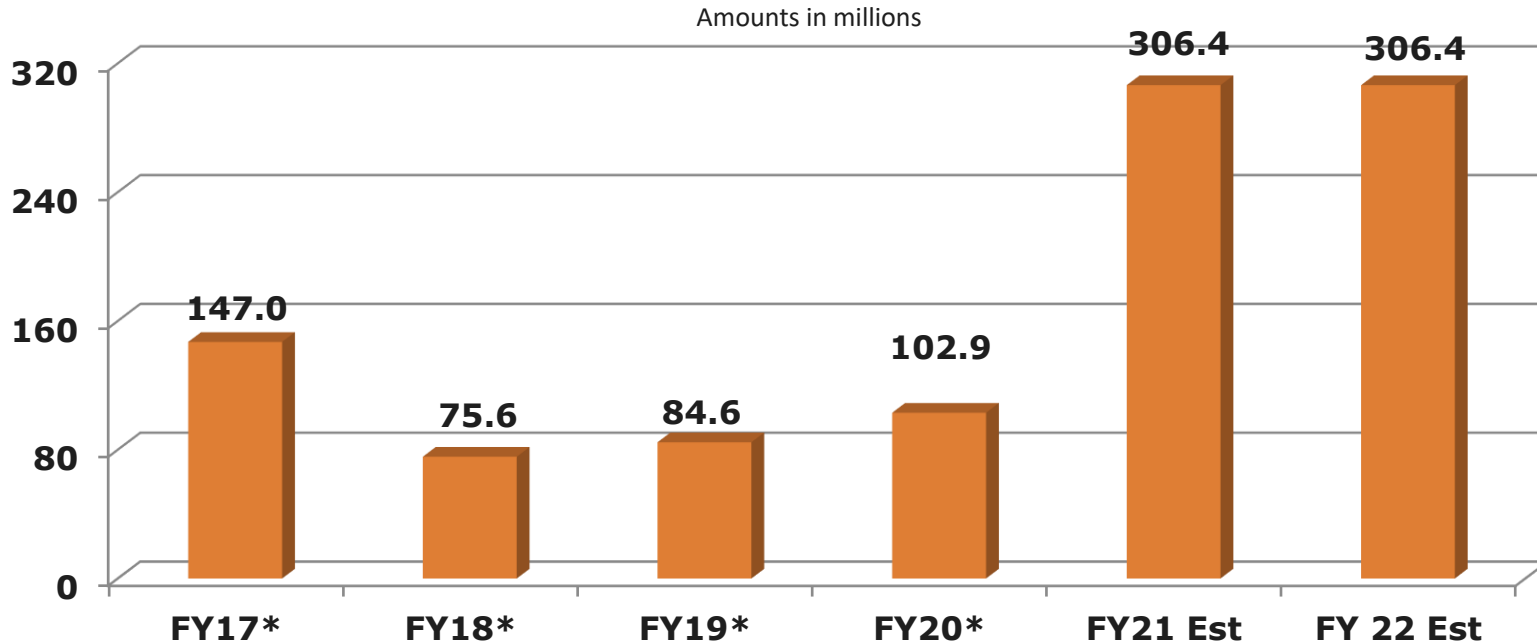
Fund Balances

Dollars in millions	FY2020 Year End Amount	FY2020 Year End Percentage	FY2021 Projected Amount	FY2021 Projected Percentage	FY2022 Projected Amount	FY2022 Projected Percentage
GSD Operations	\$52.3	5.1%	\$143.8	13.8%	\$143.8	12.7%
GSD Debt	17.0	13.0%	22.4	10.8%	22.4	10.0%
MNPS Operations	27.7	3.0%	95.1	10.2%	95.1	9.4%
MNPS Debt	16.4	14.8%	41.7	36.0%	41.7	36.0%
USD Operations	8.8	7.0%	9.0	6.8%	9.0	6.4%
USD Debt	.9	4.9%	2.3	11.3%	2.3	12.1%
Total	\$123.1		\$314.3		\$314.3	

FY22 Fund Balance Neutral

Cash Balances

General, Schools and Debt Service Funds



* Annual Financial Report

Cash Balances

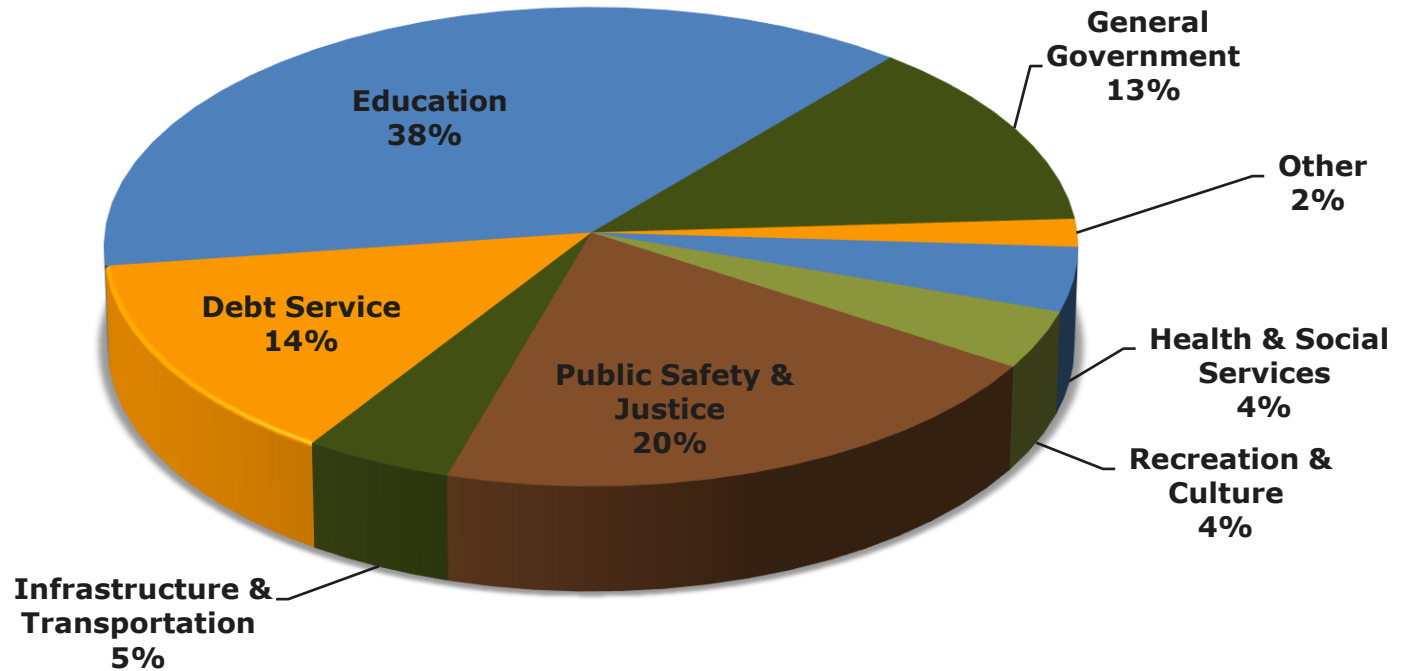
Dollars in millions	FY2020 Year End Amount	FY2021 Projected Amount	FY2022 Budgeted Amount
GSD Operations	\$48.7	\$140.2	\$140.2
GSD Debt	14.6	21.3	21.3
MNPS Operations	7.1	92.4	92.4
MNPS Debt	13.0	32.4	32.4
USD Operations	17.9	18.2	18.2
USD Debt	1.7	2.1	2.1
Total	\$ 103.0	\$306.4	\$306.4

FY22 Cash Balance Neutral

FY 2022 Recommended Budget

Expenditures

FY 2022 Where the Money Goes



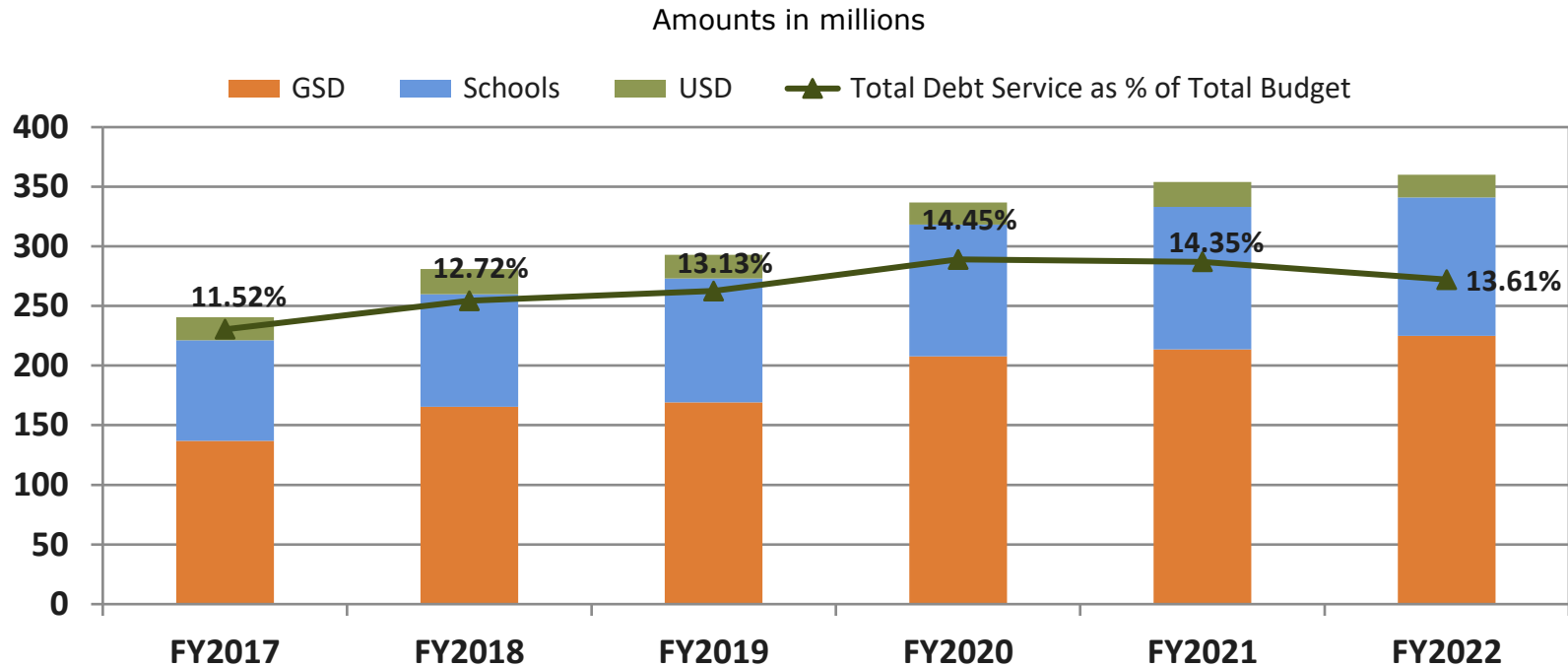
Total Debt Service Budget

Amounts in millions	FY2021 Budgeted	FY2022 Budgeted	\$ Change	% Change
GSD Budget	\$213.5	\$225.1	\$11.6	5.4%
USD Budget	21.0	19.1	(1.9)	(9.0%)
MNPS Budget	119.5	115.9	(3.6)	3.0%
Total Budget	\$354.0	\$360.1	\$6.1	1.7%

Total Debt Service Payments

Amounts in millions	FY2021 Budgeted	FY2022 Budgeted	\$ Change	% Change
GSD Payments	\$206.8	\$225.1	\$18.2	8.8%
USD Payments	20.4	19.1	(1.3)	(6.4%)
MNPS Payments	115.9	115.9	0.0	0.0%
Total	\$343.1	\$360.1	\$17.0	4.9%

Annual Debt Service Budget FY 2018-FY 2022



Outstanding Debt

Amounts in millions

	Total Debt Outstanding	Total Commercial Paper Outstanding
General Obligation	3,390	50.0
Convention Center Authority	562.2	0.0
Sports Authority	343.8	0.0
Water & Sewer	954.5	150.2
Total	5,250.5	200.2

S&P's Report

December 21, 2020

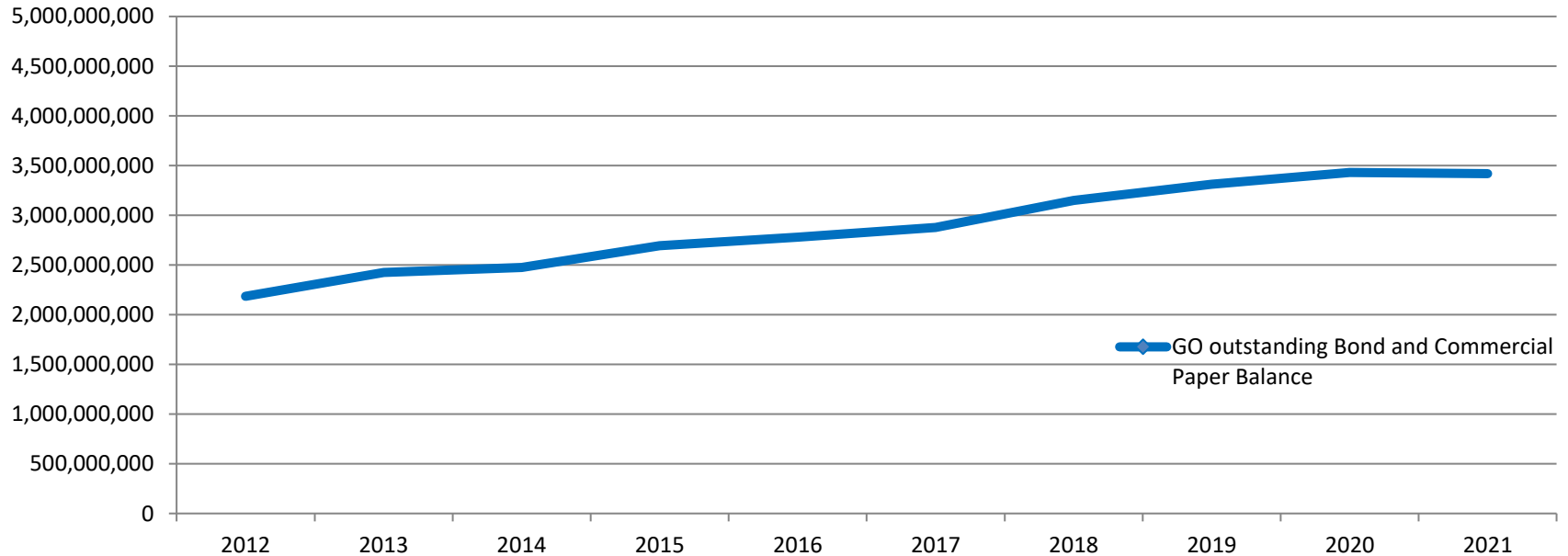
- Confirmed Metro's AA Rating – Investment Grade – Stable Outlook
- Credit Strengths
 - Status as State capital
 - Diversified and growing economy
 - Strong management
- Credit Challenges
 - Debt and contingent liability profile
 - Pension and OPEB liabilities

Moody's Report January 22, 2021

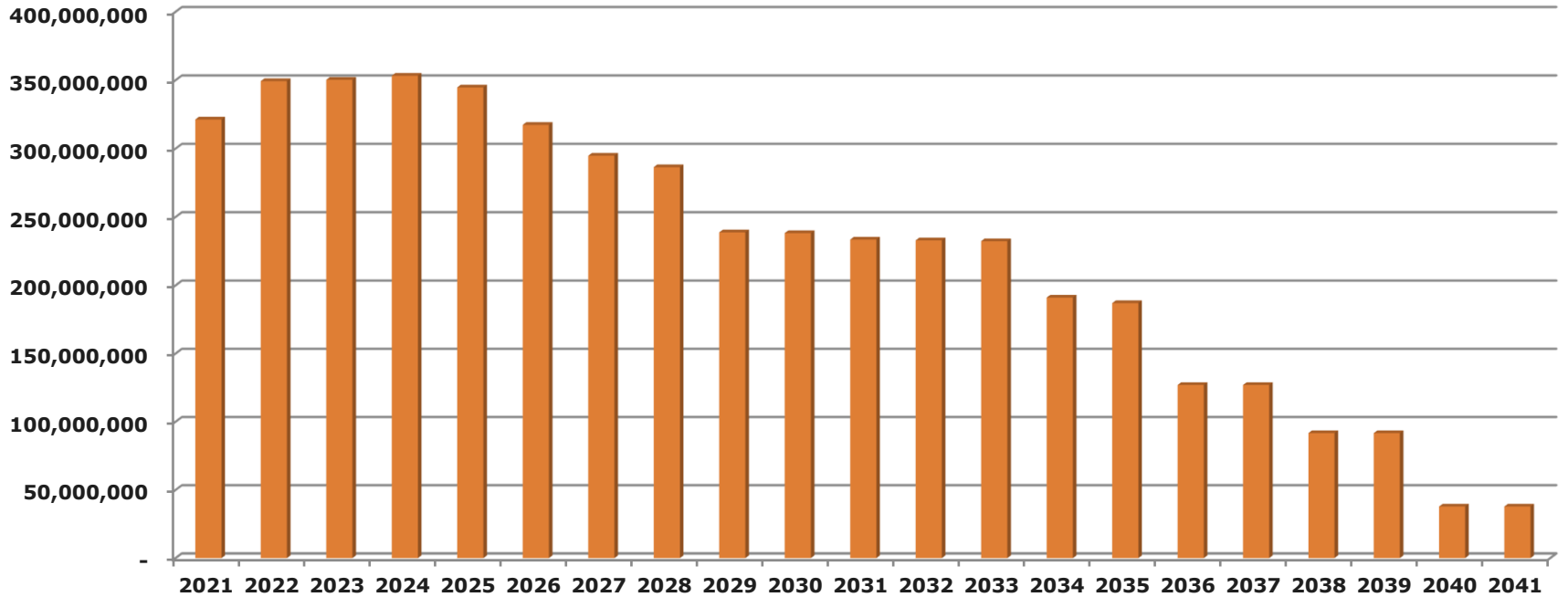
- Confirmed Metro's Aa2 Rating – Investment Grade – Stable Outlook
- Credit Strengths
 - Role as State Capital and Regional Economic Center
 - Prudent Fiscal Management
- Credit Challenges
 - Thinning Reserves and Liquidity Levels
 - Financial Support of General Hospital
 - Property Tax Rate Cap
 - Above Average Debt Burden

10 Year History of General Obligation Principal Balance

GO Outstanding Bonds and Commercial Paper Balance



Annual General Obligation Debt Service



Total Authorized Bonds Not Bonded/Spent

In Millions

Total Bonds Authorized / Unissued	1,186.0
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Less Commercial Paper Outstanding	50.0
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Total Bond Authorization Not Bonded / Spent	1,136.0
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Projected GO Bond Issue

- Commercial Paper Currently Outstanding is \$50 million
- Current Projection is for bond issue in Fall 2022
- Existing Commercial Paper Program Expires July 2021
- Resolution to continue the Program will be submitted to Council in May

Potential W&S Bond Refinancing

- Debt refunding opportunities during in FY 2022 include approximately \$235 million of Water and Sewer bonds
- Refunding bonds would be issued in conjunction with bonds to take out the W&S commercial paper
- Based on a recent analysis savings could be as much as \$44 million
- Actual savings, if any, will be determined based on interest rates at the time the bonds are to be sold
- Omohundro and K.R. Harrington Water Treatment Plants Project has been selected to submit an application for credit assistance for up to \$128 million through the Water Infrastructure Finance and Innovation Act

Additional Borrowing - Tax Anticipation Notes

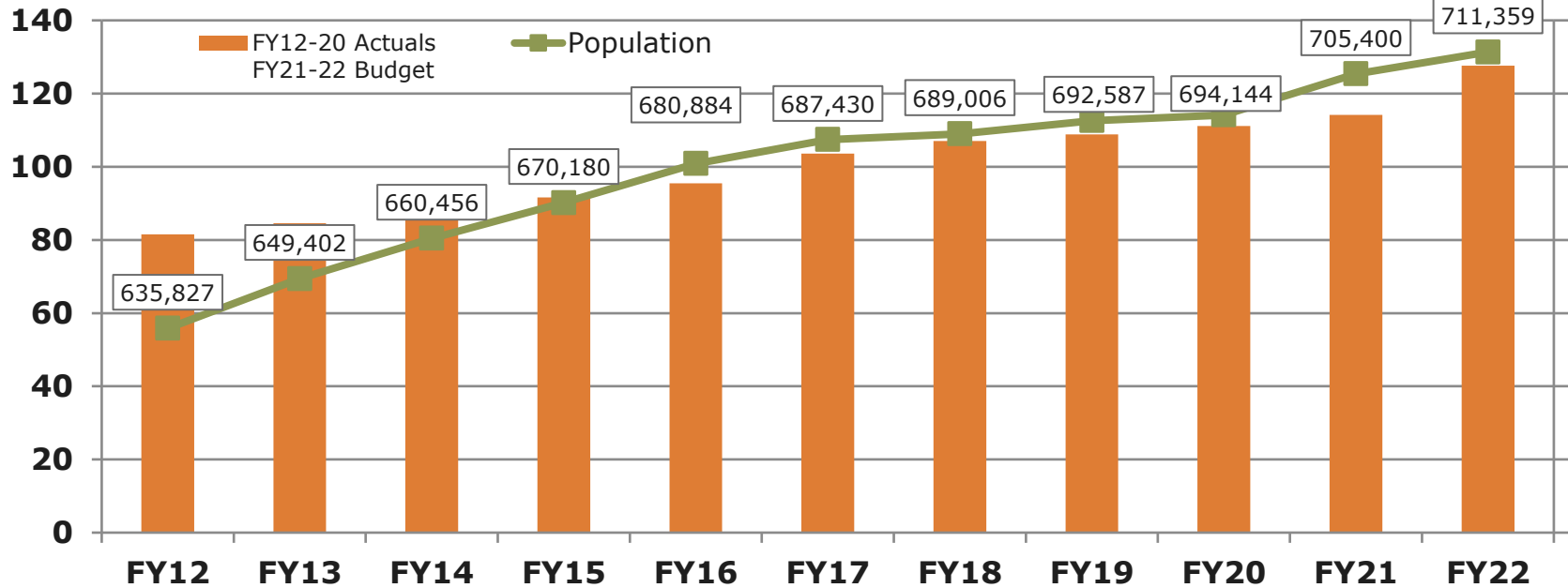
- Metro's annual cash receipt timing does not match spending needs
- Cashflow differences can be covered with cash balances within the same fund
- If cash balances are not enough, State law allows use of Tax Anticipation Notes (TANs)
- TANs can be internal or external borrowing and must be repaid in the same fiscal year
- Metro has used internal TANs for the last 3 years and will need to do so again this year
- Metro started using external TANs in 2020 and will continue to do so

Annual Debt Report

**As required by BL2014-696 & BL2019-1602
the Annual Debt Report will be emailed to
Metro Council members**

Operating Funds Expenditures

Amounts in millions



*Duplicated Interfund Transfers Are Not Accounted For

Population Source: U.S. Census Bureau QuickFacts

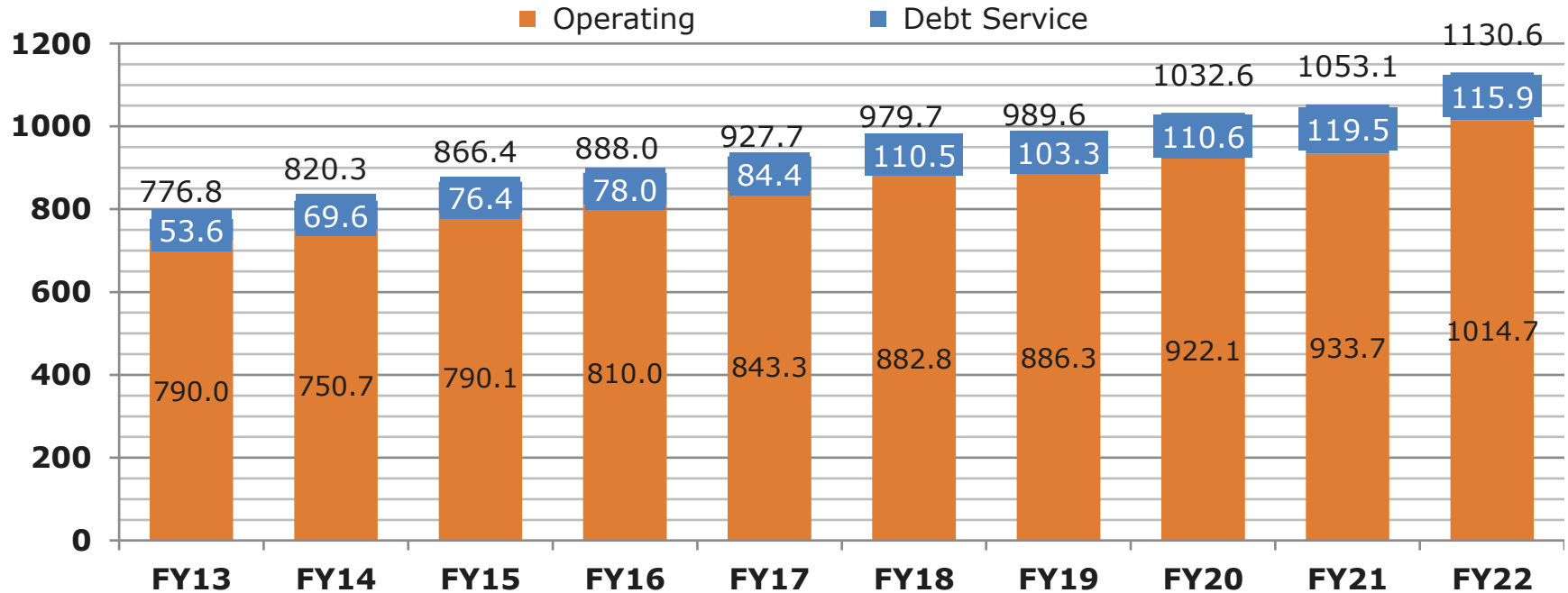
Employee Investments*

- Total Pay Plan Increase- \$32.2 million*
- 2% COLA (Effective July 1)
- Increments for Eligible Employees (Paid July 1)
- 3% for Open Range Increases (Effective July 1)
- Class Adjustments for Police, Fire, & OEM
- Step Adjustments for Trades and Labor Steps 1 and 2

* Not including MNPS pay enhancements

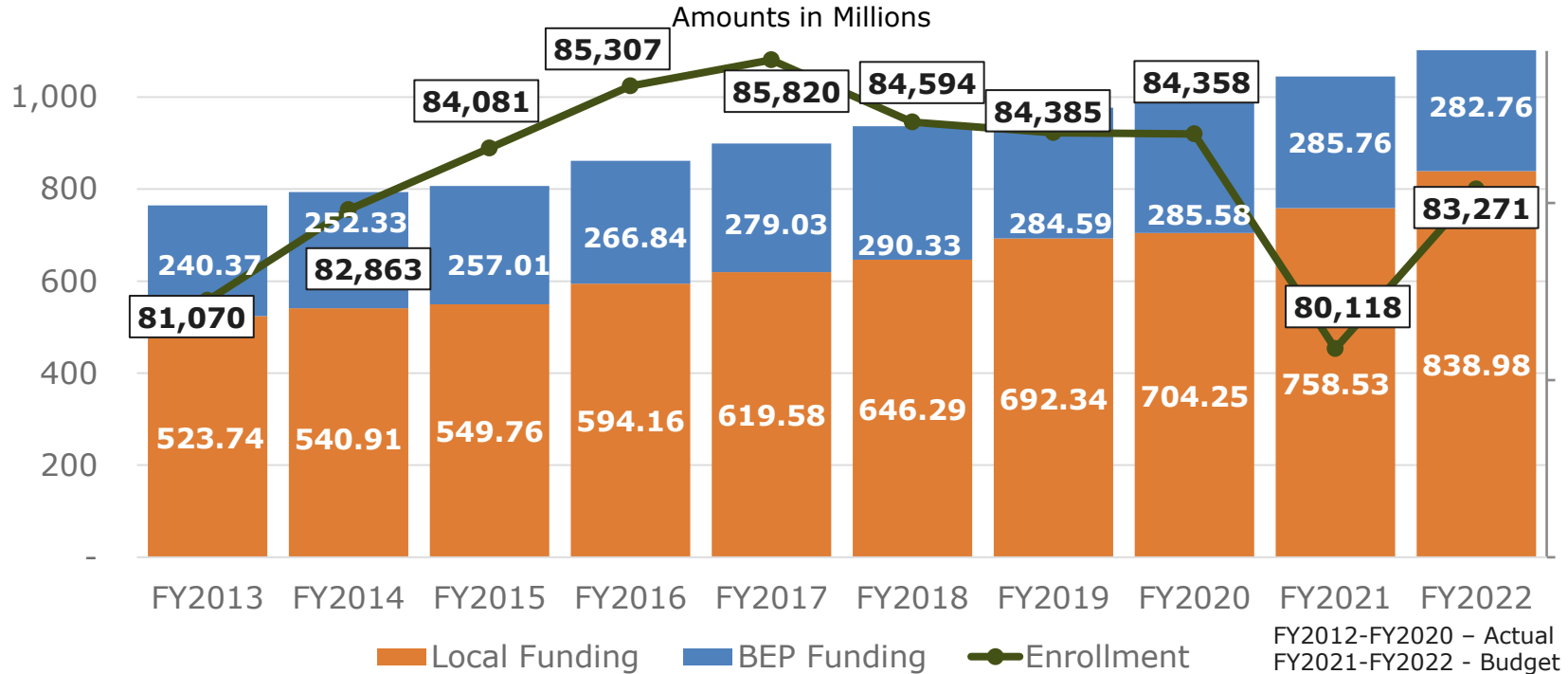
Education Total Budget: \$1,130,603,800

Budgeted Amounts shown- in millions



Education

Historical State and Local Combined Contributions



Operating Capital

- Funds Operating Capital Reserve Fund (“Four Percent Fund”) at \$ 50 million
 - Allow flexibility for anticipated upcoming one-time needs
 - Reduces need for debt supported expenditures
 - Available for future use if not spent in upcoming fiscal year

Highlighted Improvements

- WeGo- \$24.5M
- Police- \$10.5M
 - Ninth Precinct- \$3.8M
- Fire- \$9.0M
 - Fire Operations- \$3.5M
 - EMS Operations- \$1.8M
- Public Works- Transportation- \$3.0M
 - Operations & Asset Management- \$1.6M
 - Development & Delivery- \$1.4M
- Parks- \$2.7M
- Health- \$1.8M
- Codes- \$1.1M
- Commuter Rail- \$1.0M

American Rescue Plan

- Total funding for local government support is \$267M, split into 2 equal payments – 1st by 5/10/21, 2nd by 3/11/22
- Funds are available for costs incurred on or before 12/31/24
- Eligible Use of Funds:
 - To respond to the COVID-19 public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
 - Provide premium pay to essential employees of state or local governments or make grants to the employers of essential employees.
 - Provide government services to the extent of any revenue reduction resulting from COVID-19.
 - To make necessary investments in water, sewer, or broadband.
- Further guidance is expected

American Rescue Plan

- Impact of American Rescue Plan (ARP) on FY 22 Budget
 - Approximately \$1.5M of funding for non profits that would typically be included in community partnership funds and direct appropriations will be funded with ARP funds
 - \$4.8M of subsidies for Municipal Auditorium, Fairgrounds and Farmer's Market would normally be included in budget; however these subsidies are one-time and due to the revenue shortfalls caused by the pandemic. These will be funded with ARP funds.

American Rescue Plan

- Preliminary Framework for Use of Funds
 - Continued response to public health response related to the COVID-19 pandemic
 - Minimal support of FY 22 Budget (\$6.3M)
 - Replenishment and reinvestment in Metro's emergency response infrastructure, including the Public Health Department
 - Filling the gaps in community needs caused by and exacerbated by the pandemic
 - Other one-time expenses, studies, projects

Emerging Challenges Concurrent with the FY2022 Budget Process

- Other Post Employment Benefits (OPEB)
 - Metro Study and Formulating Committee has recommended that Metro require all retirees 65 and older participate in Metro's Medicare Advantage Plan
 - Employee Benefit Board vote is expected at May 4th meeting. If passed, a final approval by Metro Council will be needed for new plan effective date in FY 2022.
 - Actuarial projection for this change is a reduction in OPEB of \$1B.
- Cash consumption
 - MNPS grant funding
 - MWS tax anticipation note capacity
 - Emergency response
- Economic development
 - Oracle
 - Fairgrounds Speedway

Legislation to Track with FY 2022 Operating Budget

Operating Budget Ordinance	Urban Council Resolution
Tax Levy Ordinance	Tax Anticipation Notes Resolutions
Property Tax Relief Ordinance	Position Classifications Ordinance



For More Information Visit the Citizens' Guide to the Metro Budget

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