



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

TO: Department Heads and Elected Officials

FROM: Kevin Crumbo, Director
Department of Finance

Kristin Wilson, Chief of Operations & Performance
Office of Mayor John Cooper

SUBJECT: Fiscal Year 2021 Budget

DATE: January 6, 2020

Our Mayor John Cooper requests that all departments and elected officials approach the FY2021-2024 budget cycles as Metro Nashville / Davidson County's path to address the important fiscal, operational and policy challenges before us. With one of the strongest growing economies in the country, we will use the next four years to deliver on a commitment to a more effective government for all of Nashville, creating a city that works for everyone:

- Meet increased demand for core municipal services;
- Address compensation and benefit needs to recruit and retain staff;
- Modernize and enforce our policies and operations;
- Ensure we are getting the basics right to foster livable communities;
- And achieve accountable, responsible stewardship of our county's assets.

As we enter FY21 planning, critical among these challenges are the concerns recently affirmed by the State Comptroller of Treasury. It is our charge to deliver a final budget without a structural deficit. This includes matching recurring costs with recurring revenues; seeking restoration of fund balances and cash reserves, and funding our obligations, such as increased debt service and OPEB requirements. We will achieve this in partnership with Metro Council on an accelerated timeline, with delivery of the budget by June 1 in order to allow for review by the State Comptroller of the Treasury.

FY21 Budget Baseline, Performance Metrics and Investment Priorities:

The overarching guiding principle of our budgeting development is and will be the responsible and effective use of taxpayer dollars to deliver core municipal services. We recognize that many departments have been working with limited resources to meet growing demand, and an important goal will be to understand and align delivery expectations and resourcing.

- Baseline operating budgets will reflect targeted savings amounts and remove one-time expenditures;
- Performance metrics will be used to understand increasing demand for services and overall delivery effectiveness in context of historical staffing and cost management;

- Investments will be evaluated on a cost-benefit case basis, and where possible, will be paired with operational efficiency enhancements. The following priorities will drive the investment decisions of the FY21 operating budget:

- (1) *Education*: we will begin addressing the funding needs with respect to teacher and staff compensation, as well as operational and fiscal efficiency opportunities in MNPS;
- (2) *Public safety*: we will engage on funding needs with respect to first responder and emergency communications recruitment and staffing, and seek to ensure adequate enforcement coverage, community engagement, overall criminal justice system effectiveness and first responder wellness;
- (3) *Transportation*: we will make critical and needed investments to more efficiently connect our residents' homes, schools and workplaces;
- (4) *Neighborhoods*: we will make investments to further livable, walkable neighborhoods; to preserve our region's natural resources; and to ensure foundational community infrastructure such as greenspace, recreation, libraries and public health services and the planning/zoning services that guide and design them;
- (5) *Affordable Housing*: we will sustain and make more effective our approaches to affordable housing, supporting the building, funding and preserving of housing options;
- (6) *Effective & Sustainable Government*: beginning with cash management and fiscal strengthening, we will ensure that Metro Government meets expectations to be an accountable and efficient government.

Baseline operating budgets: It is critical that we seek cost-containment and efficiencies throughout our budgeting process to deliver on our stewardship of taxpayer dollars and create further means for investment. In order to demonstrate that we are carefully evaluating all opportunities for operational savings, FY20 targeted savings will not be automatically restored in FY21 baseline budgets. Departments will be asked to true-up targeted savings in their FY21 budget submission to accurately reflect the budget line items where savings will be achieved next year. More information will be forthcoming from your OMB analyst about this entry.

Further efficiencies and revenue-generating ideas will be sought in the budget discussions with Finance and the Mayor's Office. We hope to partner with you to find and implement these opportunities, as they create means for investment and innovation to meet our citizens expectations.

- We continue to seek ways to reduce our cost to deliver services. Please review recommendations from the Blue Ribbon Commission report that were not able to be implemented in FY20 (<https://www.nashville.gov/Government/Boards-and-Committees/Committee-Information/ID/130/Blue-Ribbon-Commission.aspx>). If you have ideas on opportunities to further address costs – whether current costs or cost escalation avoidance – we will seek these in our budget conversations.
- We strongly recommend that departments review and analyze all revenue opportunities. If you are aware of issues that may impact your departmental revenue projections, or if you have recommendations for adjustments to fees or other revenues, including resources required to implement, please discuss them with your OMB budget analyst.

Performance metrics: Metrics present an important opportunity for each department and the overall Administration to more transparently align public expectations of resourcing and delivery. Each department will be asked to submit their 5-10 most important performance measures that best reflect their mission. We recommend a combination of demand metrics (e.g., calls for service) and outcome metrics (e.g., response times, completion rates). During the budget process, we will narrow these to a top 3-5 metrics, collect FY18, FY19, 1HFY20 actual results, and finalize the narrative regarding these metrics to present with the budget. You will receive further direction from Diego Eguiarte, Mayor's Director of Performance Management, on this process.

Investment requests (proposed budget modifications): Mayor Cooper will seek to prioritize investment in the key areas mentioned above. While there will be resource constraints in next year's budget, we want to hear from departments regarding their overall needs to address the increasing demand for services in the city in effective ways. There is no guarantee of approval, however, departments should submit the requests so that we may fully understand the magnitude of need. If not funded in the upcoming budget cycle, this will provide critical information for our long-term planning efforts.

All investment requests must be accompanied by:

1. A statement of alignment to the Mayor's investment priorities above; and
2. A cost-benefit justification specifying the benefit to the public of the proposed investment. Benefits may include avoiding costs, enhancing services, or meeting compliance/regulatory/contractual requirements. Every justification must specify how performance will be impacted by the budget investment and how this will be measured going forward.

Capital Improvements Budget

As you are aware, the Planning Department coordinates compilation of the **Capital Improvements Budget**. Instructions regarding the process and associated deadlines will come from the Planning Department. Questions should be directed to Planning Director Lucy Kempf or Greg Claxton regarding the CIB.

Budget Schedule

We have an expedited budget schedule to permit us to file a budget with the Metro Council by March 31st, which is a month ahead of our normal schedule. We will seek for the budget to be approved by Metro Council not later than May 31, 2020, so that the Comptroller may have our budget for consideration a month ahead of the upcoming fiscal year. As a result, there are changes in the process to create a condensed schedule.

Key dates include:

- Hyperion opens for budget submission beginning January 6, 2020
- Submissions are due January 24, 2020
 - *No extensions will be permitted given the expedited schedule*
- Meetings with Finance Department and Mayor's Office will be scheduled during the month of February.
- Mayoral evaluation of budget submissions will occur in March.
- Budget filed with Metro Council by March 31, 2020.
- Metro Council consideration of the budget will occur between April 1 and May 31, 2020.
- Approved budget submitted to Comptroller of the Treasury by June 1, 2020.
- Final approval of the budget by the Comptroller of the Treasury by June 30, 2020.

Thank you and your team for your cooperation in the budget process. We recognize that there are meaningful changes to this year's process, but we hope we have also made it a considered and sound process for all involved. If you have any questions, please reach out to us. We look forward to partnering with you in the coming weeks to meet our collective goal of a strong, effective Metro government.