

Financial Update & FY 2024 Recommended Budget Overview

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Finance Director



Metro's Financial Condition Assessment

Metro's Financial Condition Assessment

Key Financial Considerations

**Clean
Audit**

**Fund
Balance**

Ratings

**Structurally
Balanced
Budget**

Economy



Q. Why does it matter?

A. Financial condition drives our ability to provide services and fund projects.

Metro's Financial Condition Assessment

Clean Audit

Clean Audit ✓

- ▶ Annual Comprehensive Financial Report (ACFR) presents on Metro's financial activities and balances for each fiscal year (July 1 – June 30)
- ▶ FY 2022 ACFR
 - The Government's total net position increased by \$1.74 billion
 - Enterprise funds net position of \$1.71 billion, an increase of \$125.7 million over year prior
 - Financial Statements resulted in a Clean Audit
 - Unmodified opinion
 - No material weaknesses



Metro's Financial Condition Assessment

Fund Balance

Fund Balance ✓

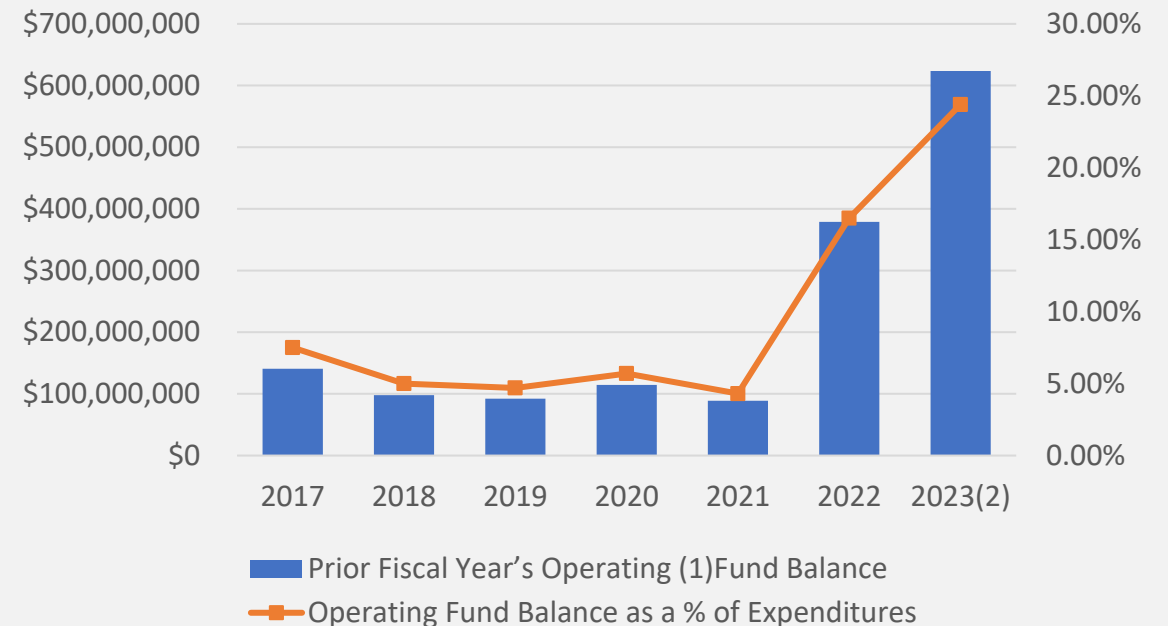
- ▶ Fund balance is the excess revenues minus expenditures in a fund that is unrestricted
- ▶ Calculated annually in the ACFR
- ▶ Utilized only to mitigate risks and on one-time, non-recurring events or outlays

Fiscal Year	Prior Fiscal Year's Operating ⁽¹⁾ Fund Balance	Operating Expenditures	Operating Fund Balance as a % of Expenditures
2017	\$140,726,604	\$ 1,869,945,114	7.5%
2018	97,810,057	1,950,891,680	5.0%
2019	92,080,162	1,971,189,052	4.7%
2020	114,499,314	2,007,686,605	5.7%
2021	88,795,017	2,058,891,992	4.3%
2022	378,796,570	2,302,687,111	16.5%
2023 ⁽²⁾	623,478,087	2,551,111,000	24.4%

(1) Includes GSD and USD General Fund Unassigned Fund Balances and General Purpose School Fund Committed for Education balance.

(2) Actual expenditures for FY 2022 provided by Staff. Does not include lease capital expenditures.

(3) Final Fund Balance for FY 2022 provided by Staff. Budgeted FY 2023 Operating Expenditures.



Metro Financial Condition Ratings

Ratings ✓

	Moody's	S&P	KBRA	Fitch	Rating Description
Investment Grade	Aaa	AAA	AAA	AAA	Prime
	Aa1	AA+	AA+	AA+	High Grade
	Aa2	AA	AA	AA	
	Aa3	AA-	AA-	AA-	
	A1	A+	A+	A+	Upper Medium Grade
	A2	A	A	A	
	A3	A-	A-	A-	
	Baa1	BBB+	BBB+	BBB+	Lower Medium Grade
	Baa2	BBB	BBB	BBB	
	Baa3	BBB-	BBB-	BBB-	
Non-investment Grade	Ba1	BB+	BB+	BB+	Speculative
	Ba2	BB	BB	BB	
	Ba3	BB-	BB-	BB-	
	B1	B+	B+	B+	Highly Speculative
	B2	B	B	B	
	B3	B-	B-	B-	
	Caa1 & below	CCC+ & below	CCC & below	CCC & below	Extremely Speculative/Default
Not Rated					

“The assigned general obligation bond rating reflects the Metropolitan Government of Nashville and Davidson County’s favorable socio-economic and demographic trends, strong institutional practices, moderate levels of debt amortized at an above average rate, and well-maintained financial operations distinguished by recently augmented reserves which were further buttressed by a strengthened reserve policy.”



“The outlook revision reflects our view of Nashville’s improved reserve and liquidity balances, ability to enact budgetary changes to achieve operating balance...”



Metro's Financial Condition Assessment

Structurally Balanced Budget

**Structurally
Balanced Budget** ✓

- ▶ Recurring revenues sufficient for recurring expenditures
- ▶ Reliable recurring revenues
- ▶ Expenditures for normal governmental operations
- ▶ Compliance with applicable laws and procedures

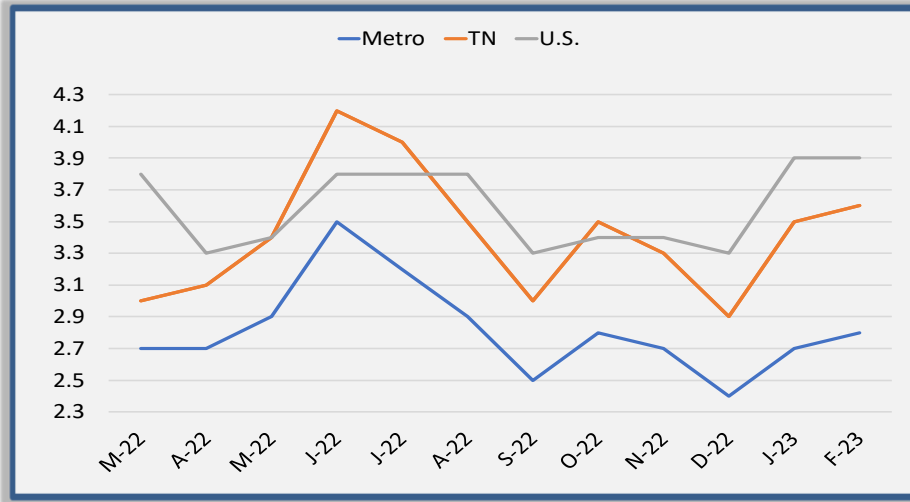


Metro's Financial Condition Assessment

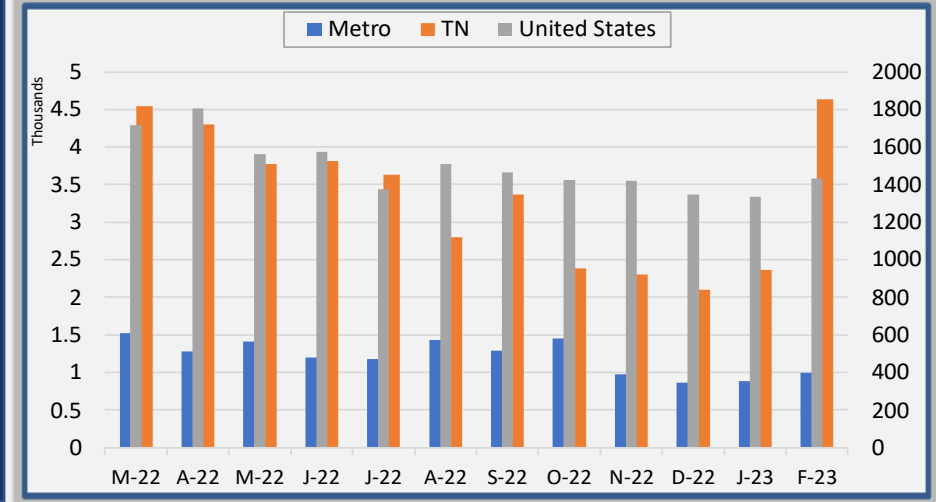
Economy

Economy ✓/?

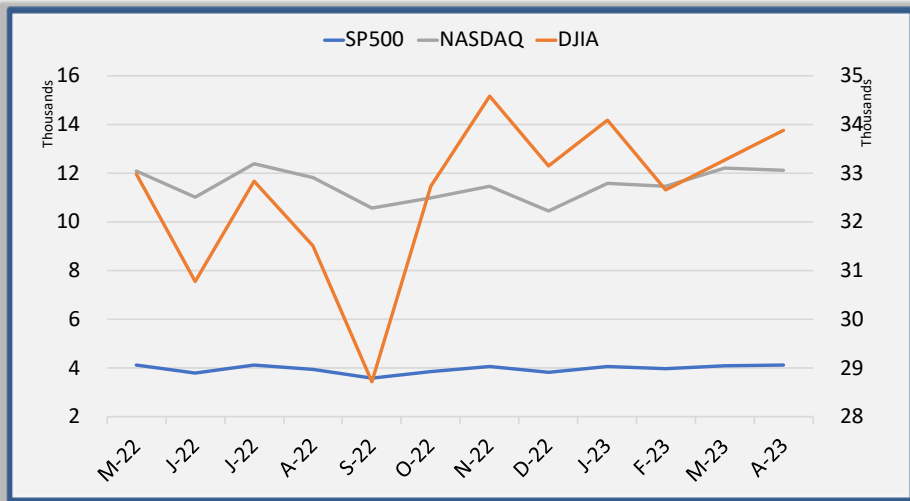
Unemployment Rates



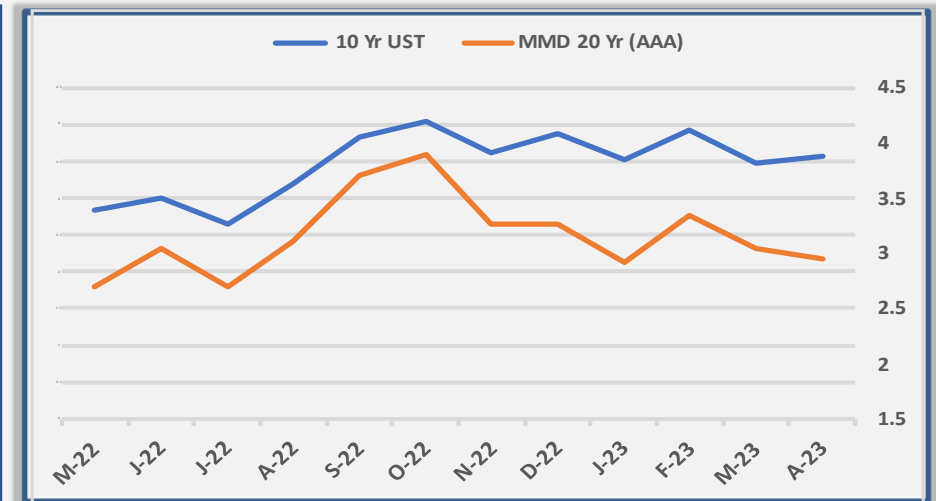
Housing/Permits



Markets



MMD/UST



FY 2023 Budget & Experience

FY 2023 Budget & Experience

Revenue Forecast Environment

- Economic outlook uncertain at time of budget development
- Structurally balanced budget
- \$2.96B FY23 budget in tax-supported funds
- \$312M in new revenue, 12% increase over prior year
- Recapture rate lowered property taxes slightly

June 2022

- Threat of national economic slowdown remains
- Inflation moderating, albeit at slower pace than expected
- Growth deceleration of primary revenue sources
- Potential lagging effects of higher interest rates targeting inflation
- Growth forecasted overall, however tempered relative to recent post-pandemic performance

May 2023

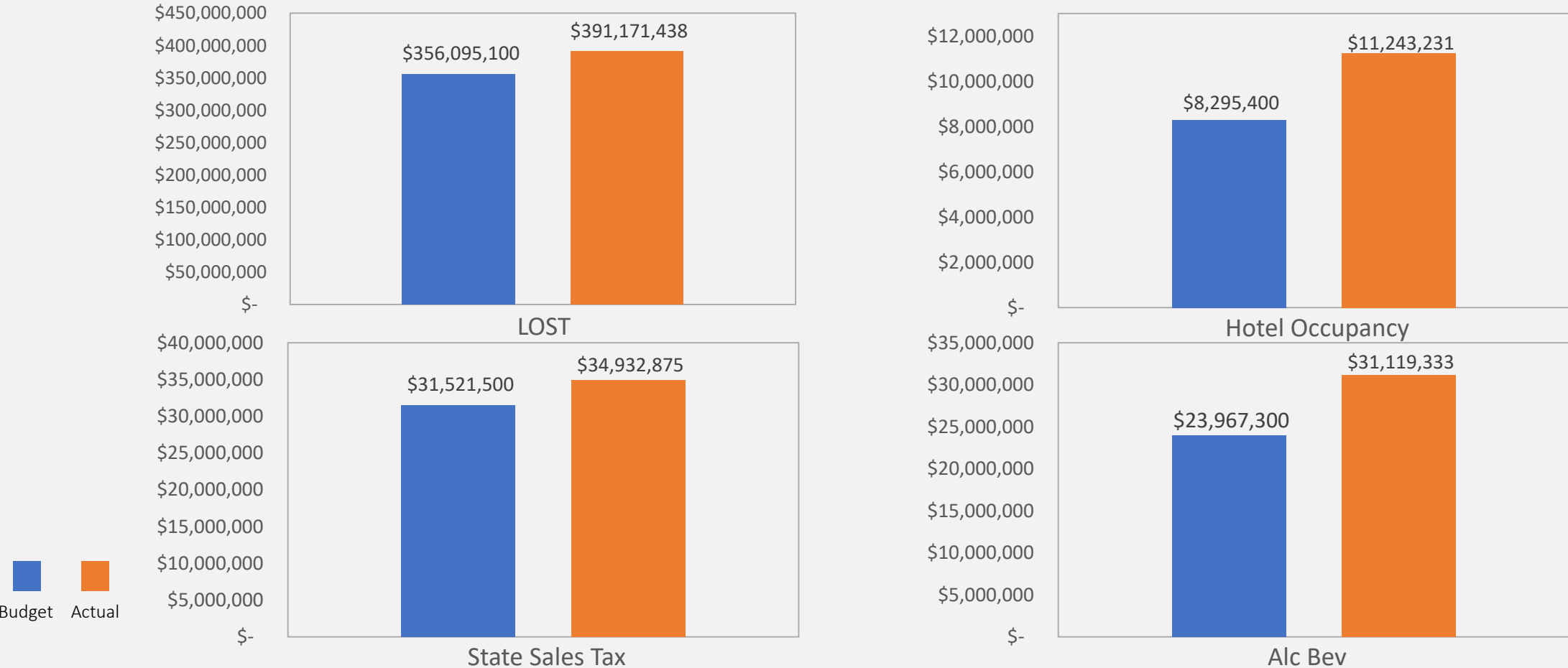
February 2023

- Resilient consumer spending and high inflation, coupled with strong employment led to an improved finish for FY 2023
- Previous forecasts of possible economic slowdown during FY revised to occur in 2nd half of 2023 through Q1 2024
- Due to conservative revenue assumptions and stronger than expected economic recovery, **\$85.7M** Supplemental Budget approved to fund one-time capital



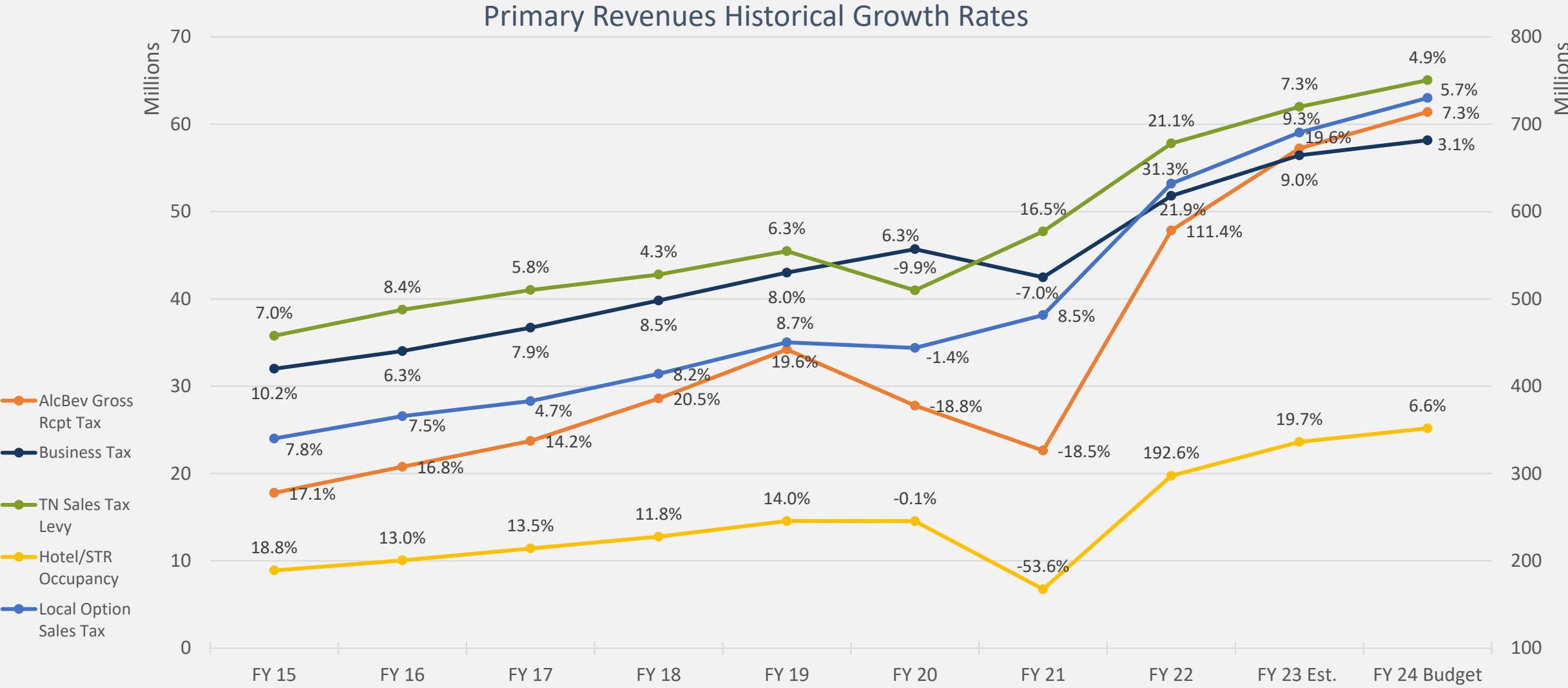
FY 2023 Budget & Experience Revenue Update

- Fiscal year to date, most major revenue sources are exceeding budget estimates



FY 2023 Budget & Experience

Revenue Update



FY2024 Recommended Budget

Budget Equity Tool FY2024

Office of Diversity, Equity, and Inclusion

BET Questions

1

Are there budget modifications for departmental programs that address the needs of underserved or disadvantaged communities?

2

Are there budget modifications that will promote diversity, equity, and inclusion among department staff?

3

Are there any budget modifications that will enhance outreach to Metro residents or increase accessibility to departmental services and information?

4

Provide a general characterization of any remaining budget modifications that do not align with the previous three questions. Please group together similar or related modifications.

► FY 2023 → FY 2024

- 96% completion rate among Metro Departments
- FY 2024 – second edition of tool released
- Reemphasis of three equity strategies in the budgeting creation and review process
 - Adopt an Equity Lens
 - Be Data-Driven
 - Promote Assessment and Accountability



FY 2024 Recommended Budget

Budget Considerations

REVENUE

- YTD growth slowing
- Inflation moderating
- Economists warn of recession
- Interest rate environment
- Tourism's reliance on discretionary income

EXPENSES

- Debt Service
- Contractual Increases
- Partially Funded Initiatives
- Inflationary Increases
- Pay Plan



FY 2024 Recommended Budget

Summary of Proposed Budget – All Funds

Funds	2023 Current Budget	2024 Recommended
General Operating	\$1,563,927,800	\$1,602,808,800
MNPS Operating	1,105,502,500	1,205,472,800
Tax Supported Debt Service	407,616,900	409,920,700
Special Revenue	1,065,859,700	799,155,400
Internal Service	72,680,800	87,412,200
Enterprise	80,835,700	91,299,900
Water & Sewer	790,083,900	882,416,200
Total	\$5,086,507,300	\$5,078,486,000

*Does *not* account for all transfers between funds or pending supplementals.

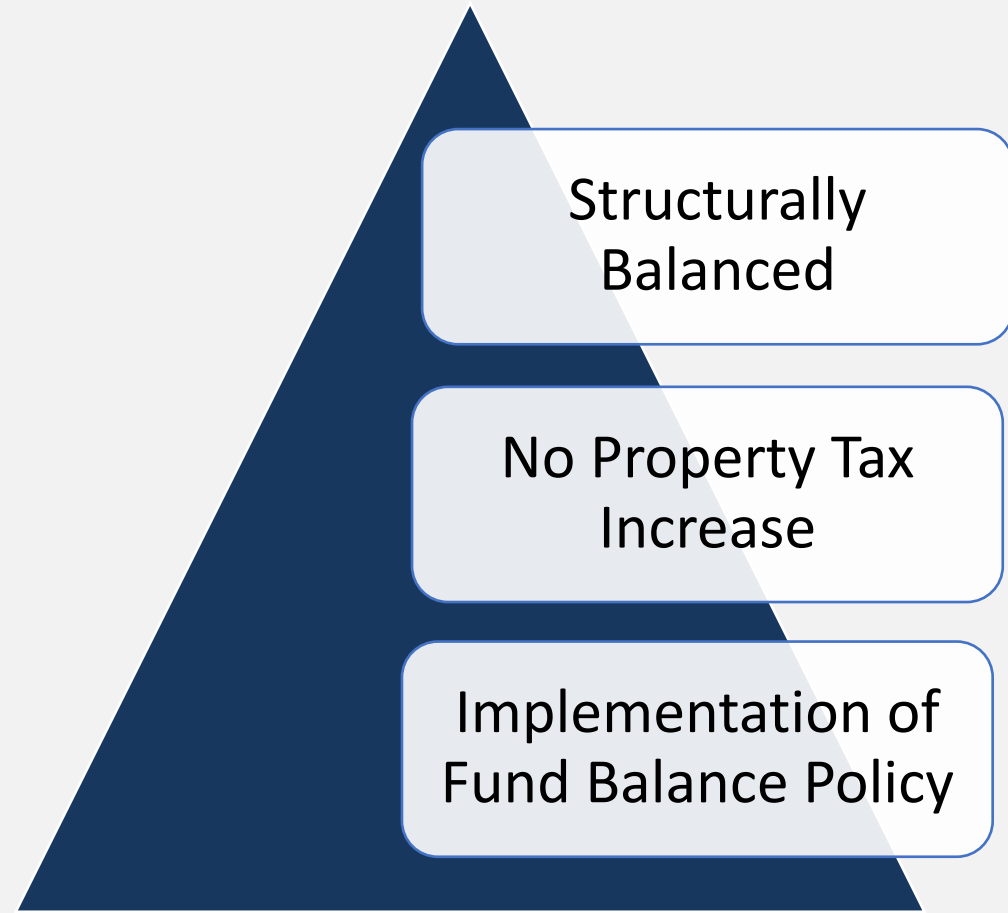


FY 2024 Operating Budget Tax Supported Funds

**Recommended FY 2024
\$3,218,202,300**

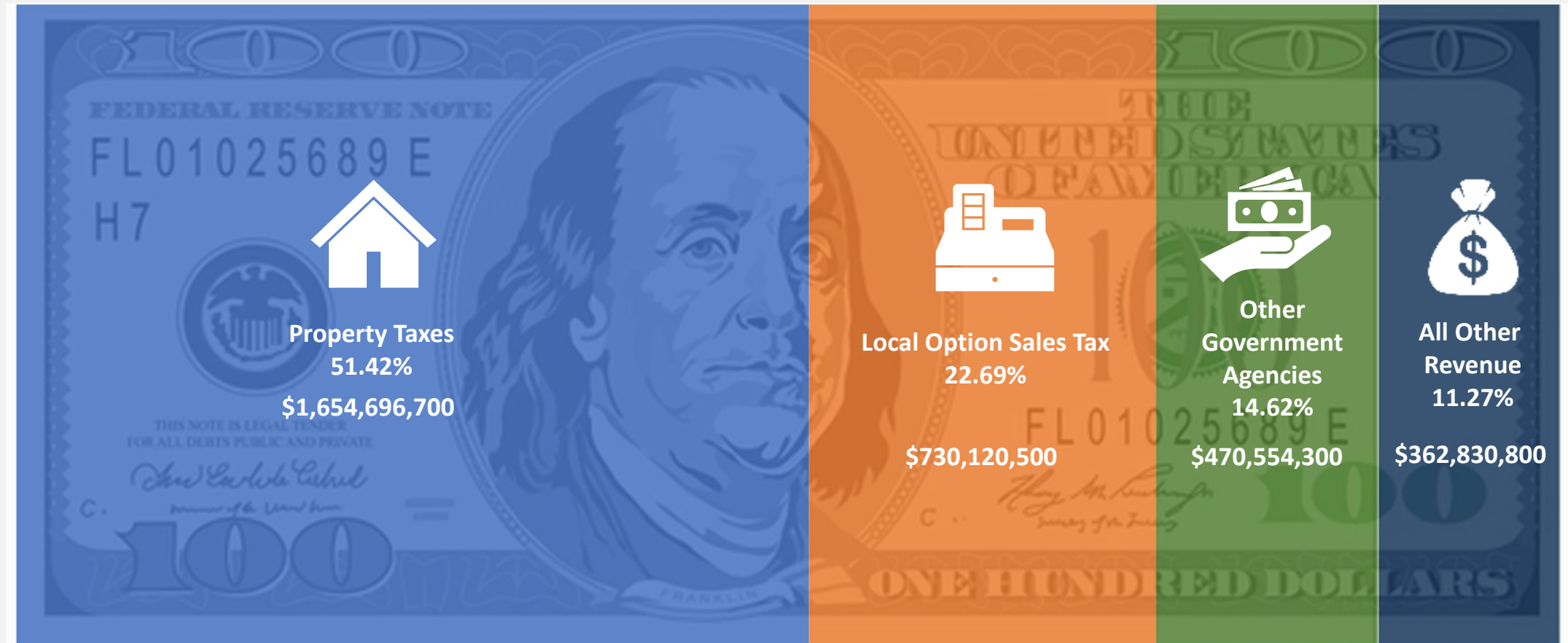
6.2% increase over FY 2023

**\$187,937,000 million
in new revenue**



FY 2024 Operating Budget Tax Supported Funds

Where the Money Comes From



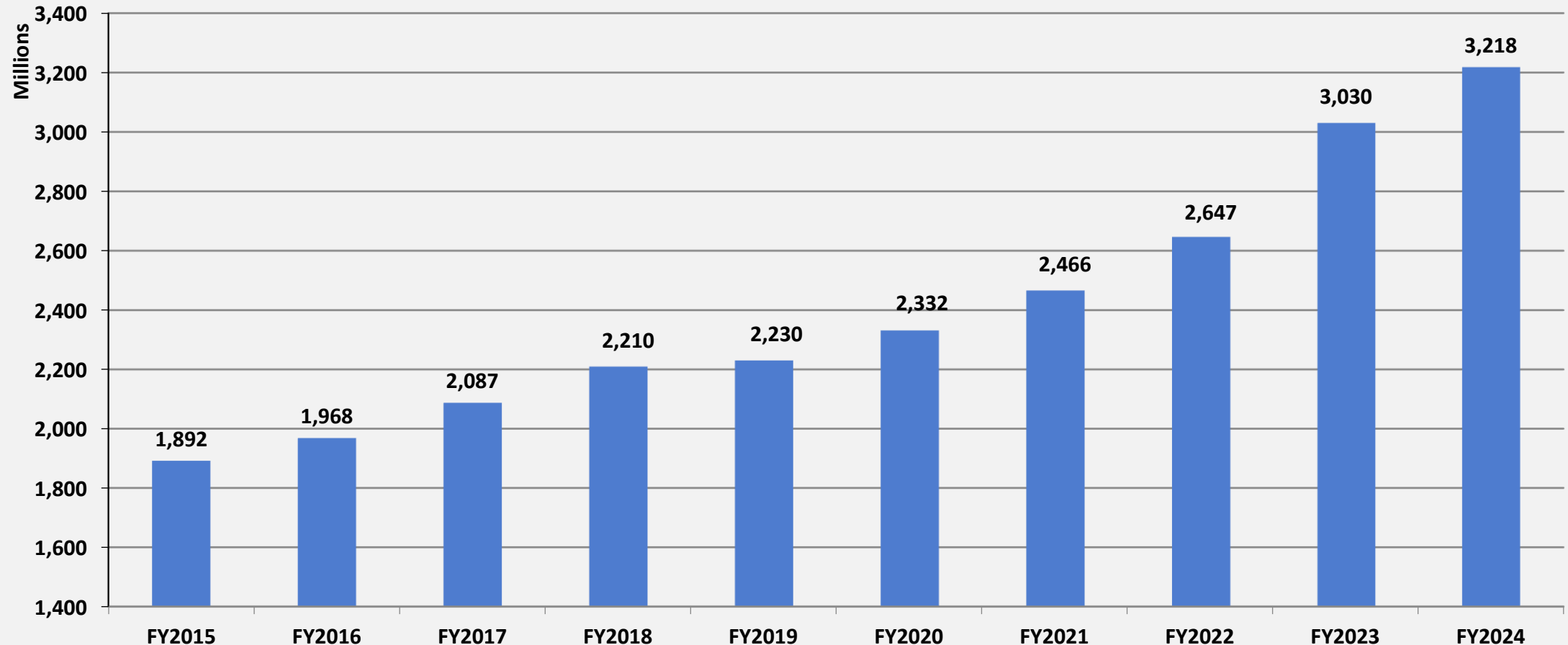
FY 2024 Recommended Budget

Tax Supported Funds Revenues – Outlook

- ▶ Majority of growth to occur in FY 2023, as economic conditions have exceeded original expectations
 - Estimated 60%+ of growth anticipated this fiscal year
- ▶ Conservative revenue assumptions
 - Post-pandemic reality marked by uncertainty; first in pace of recovery, now in shifting economic climate
 - Supports fiscally prudent estimates
- ▶ Forecast assumes stability going forward
 - Anchored by consistent growth in property tax base with no rate change
 - Slower, but still positive, growth of primary activities taxes

FY 2024 Operating Budget Tax Supported Funds

Historical Budget Growth

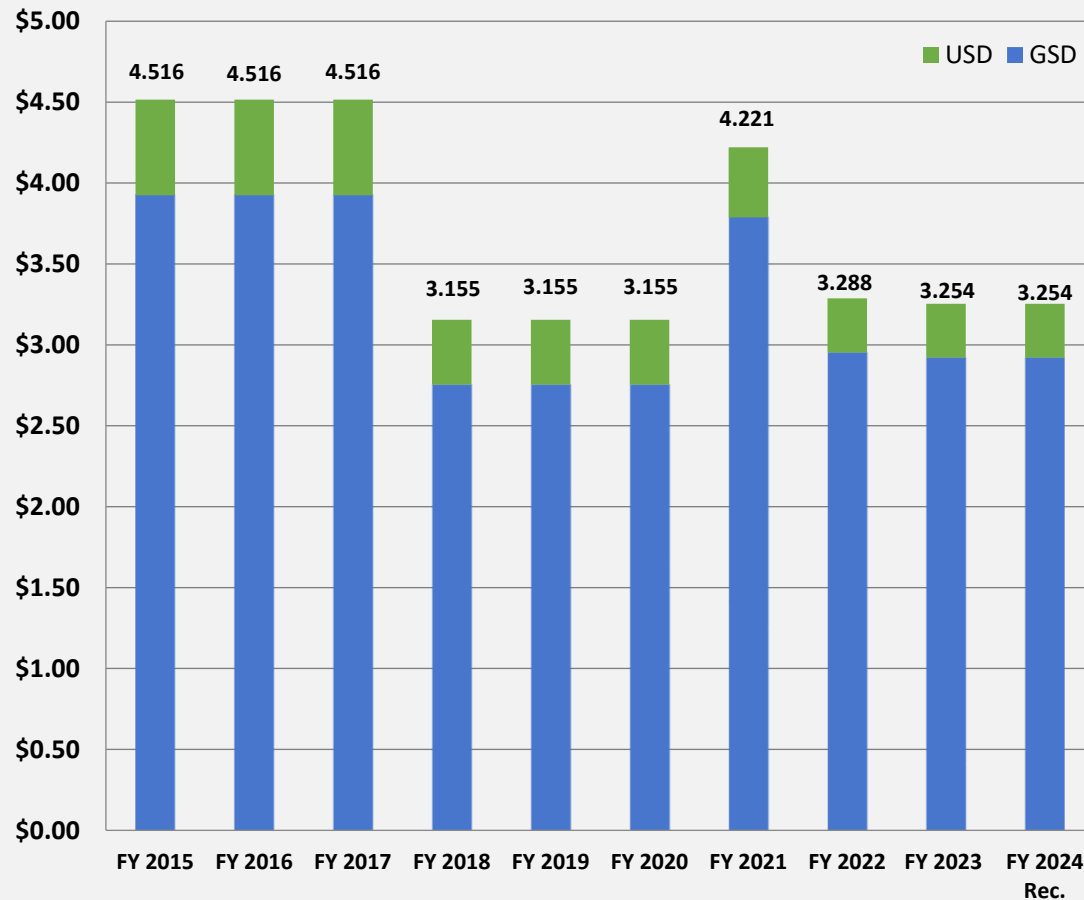


Budget amounts taken from Substitute Budget Ordinances as approved by Metro Council

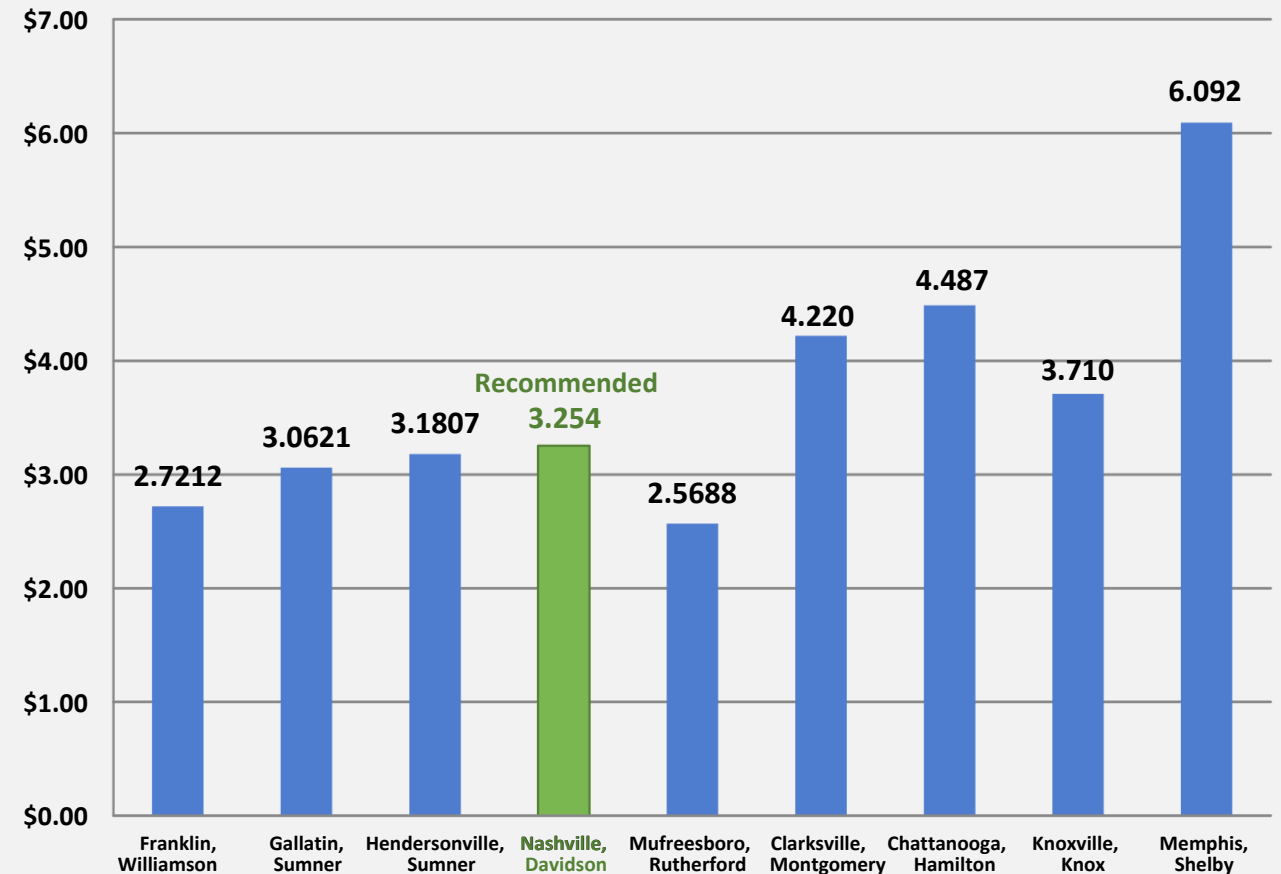
FY2024 Recommended Budget

Tax Supported Funds Revenues – Property Taxes

History of Property Tax Rates- Nashville/Davidson County



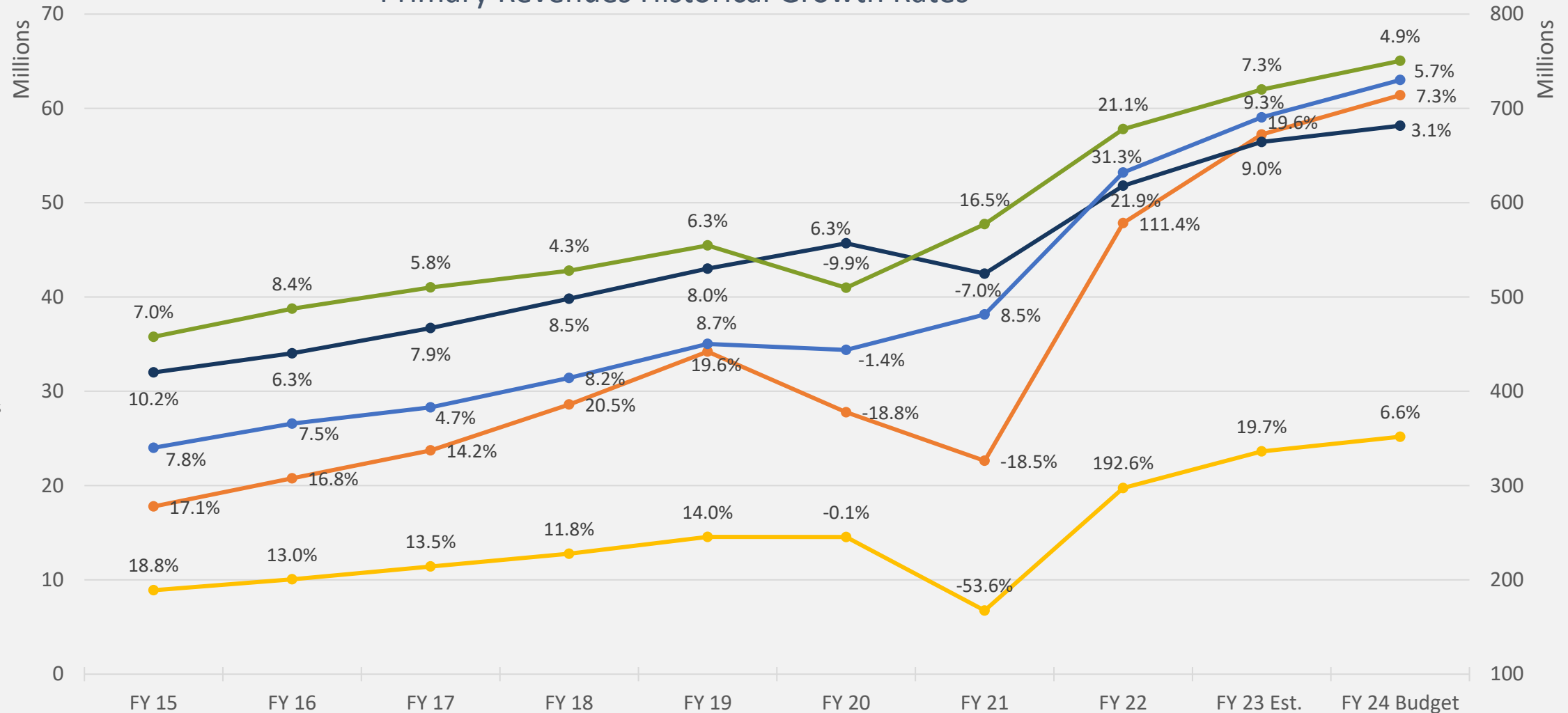
City/County FY 2023 Property Tax Rates*



* Chart shows FY 2023 Tax Rates for other cities. FY 2024 Tax Rates still being determined.

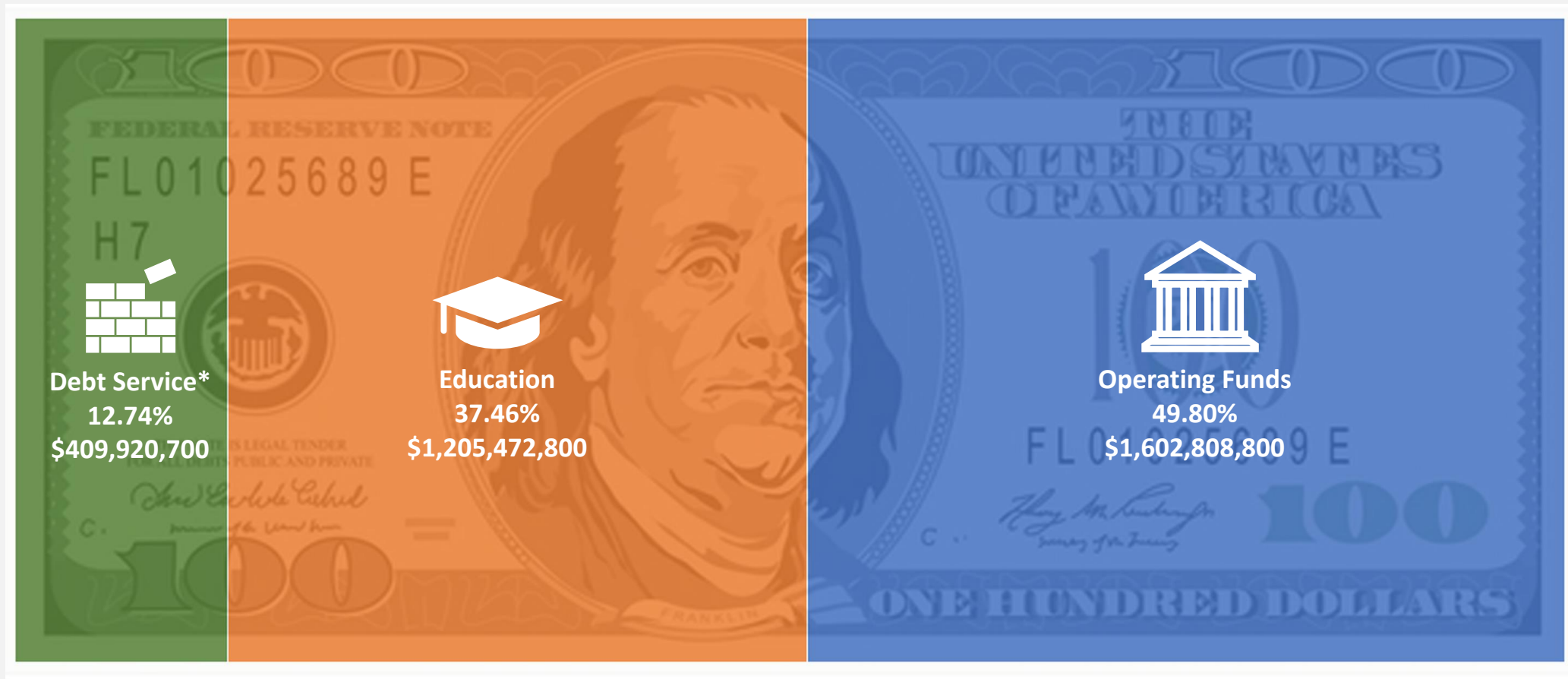
FY 2024 Recommended Budget Revenue Update

Primary Revenues Historical Growth Rates



FY2024 Recommended Budget Tax Supported Funds Expenditures

Where the Money Goes



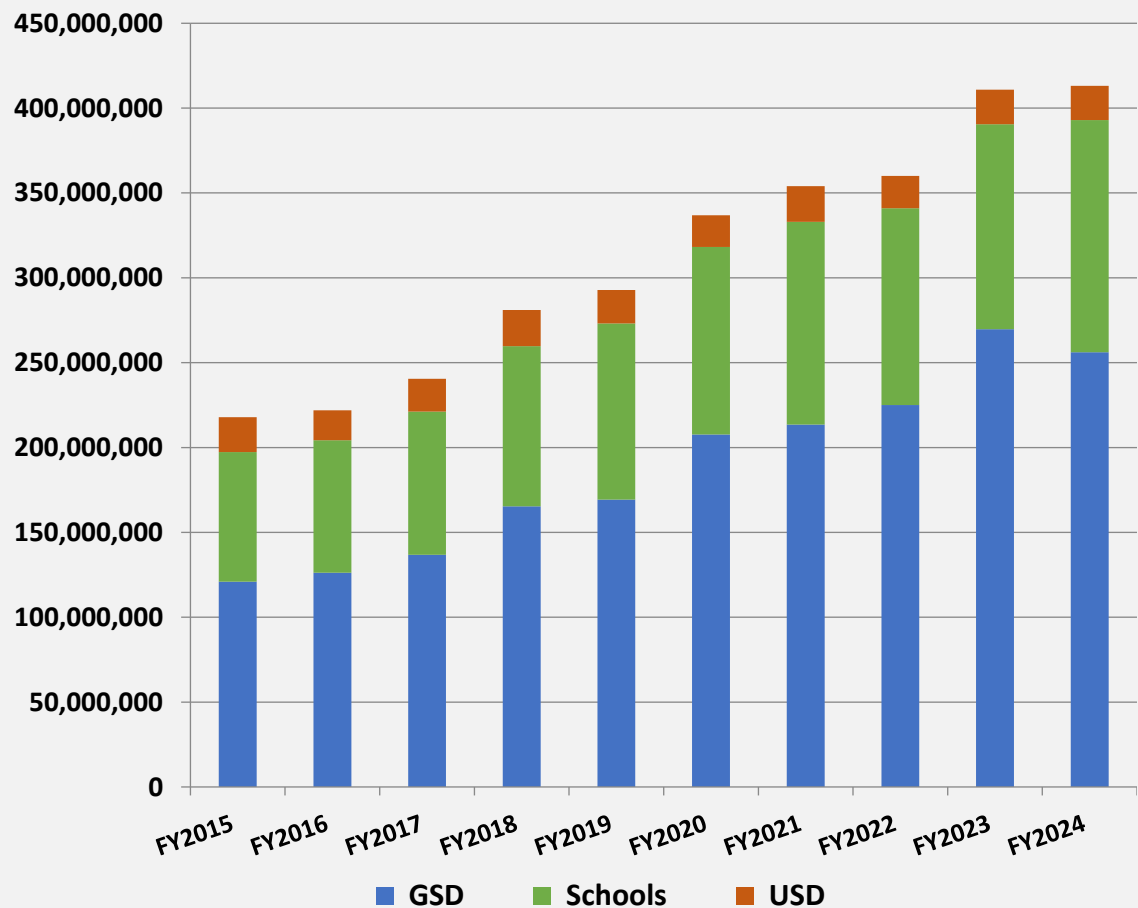
*Includes MNPS and Metro

Does not include transfer from GSD Operating to GSD Debt Service for fund policy implementation.

FY2024 Recommended Budget

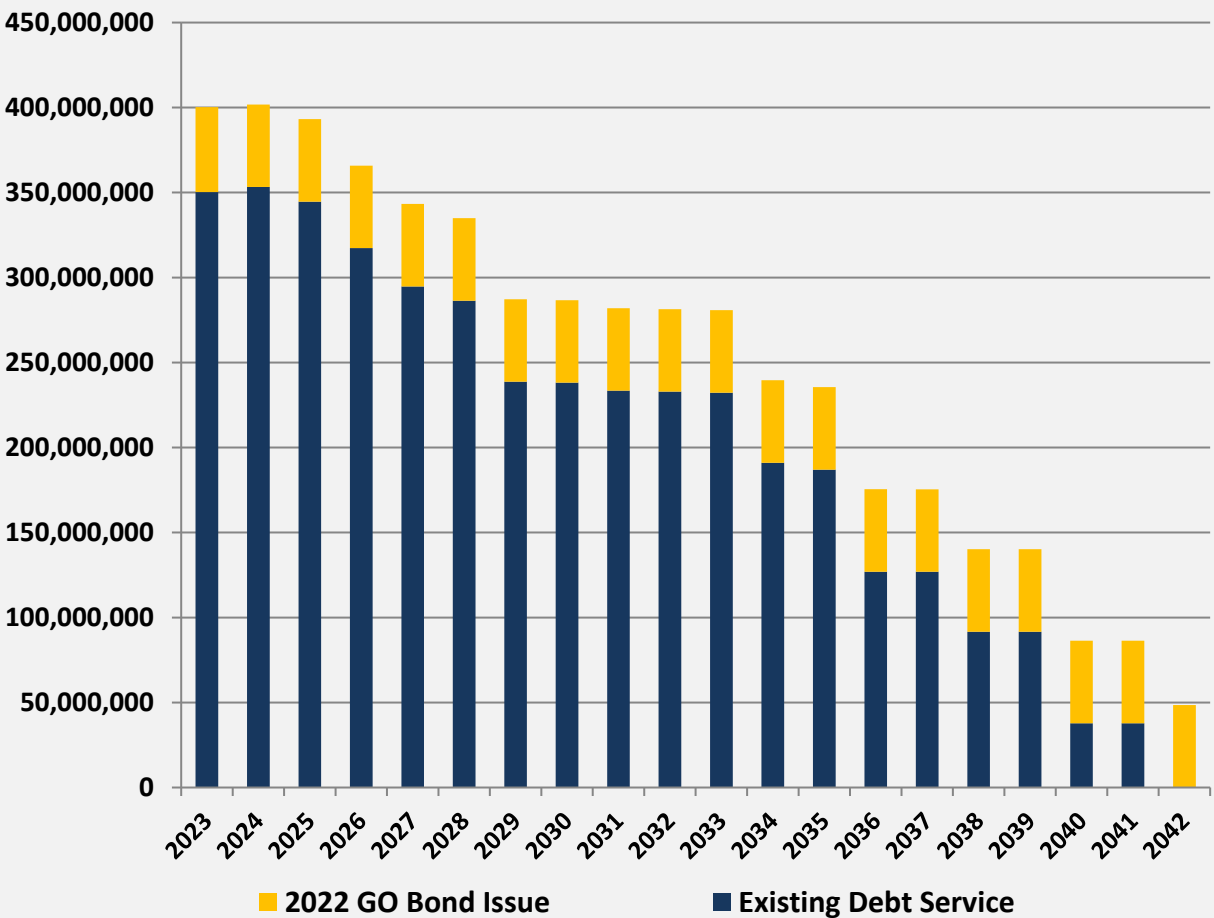
Tax Supported Funds Expenditures – Debt Service

Annual Debt Service Budget



*Does not account for duplicate transfers.

Annual General Obligation Debt Service



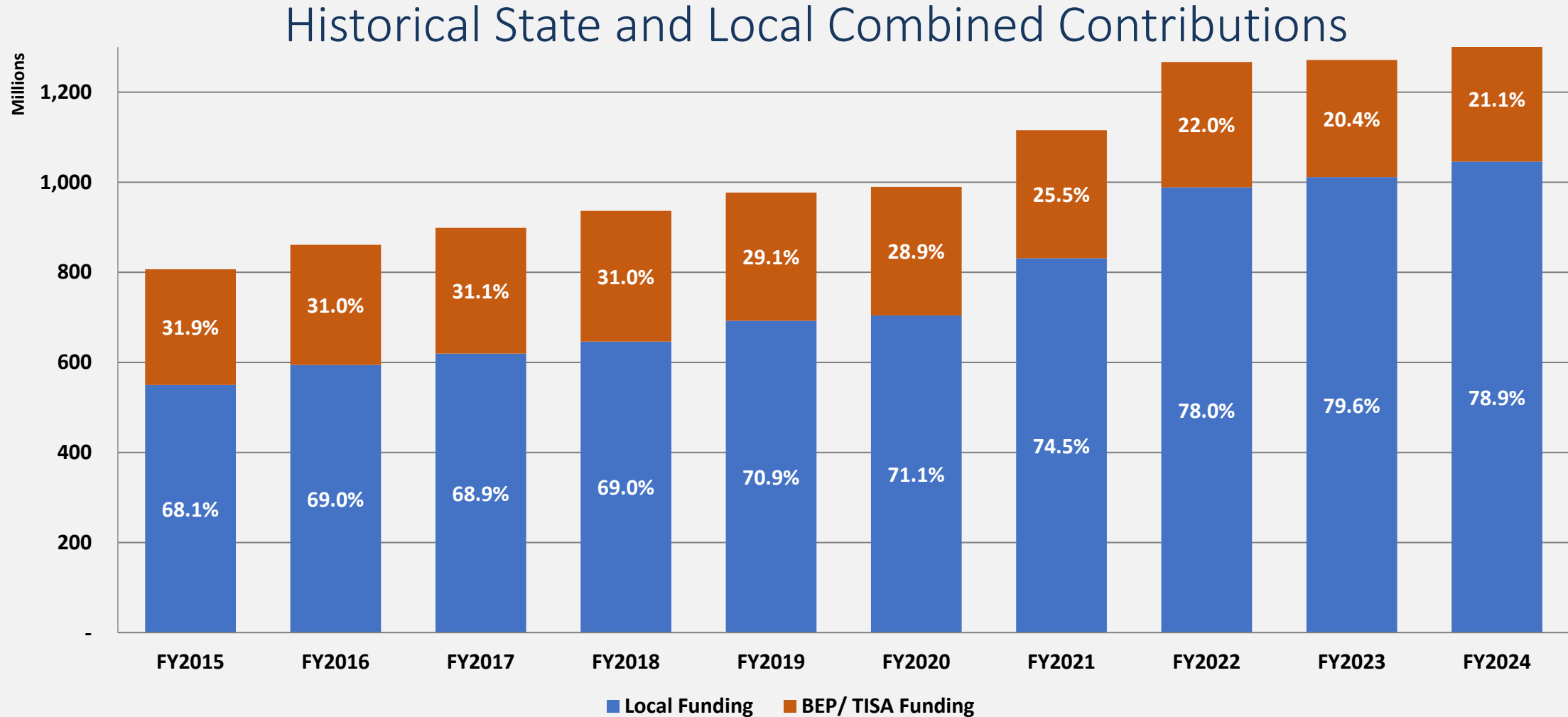
2022 GO Bond Issue

Existing Debt Service



FY2024 Recommended Budget

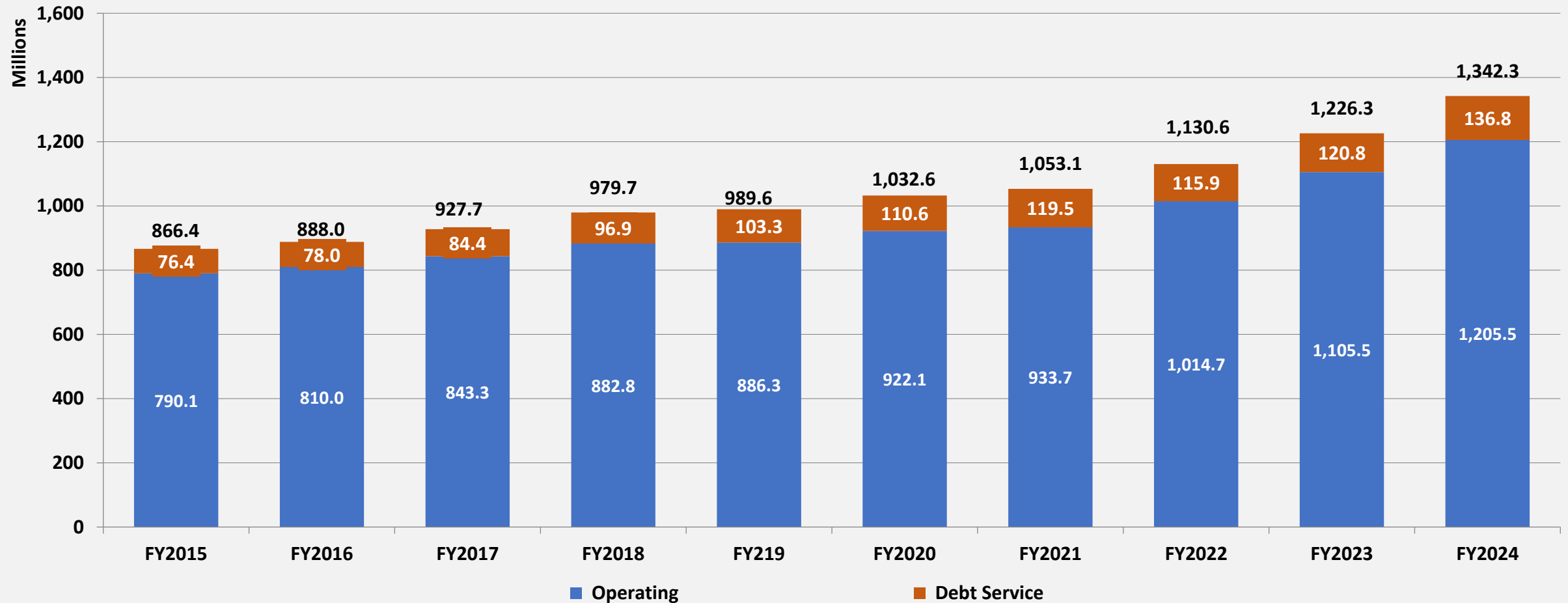
Tax Supported Funds Expenditures - Education



FY2024 Recommended Budget

Tax Supported Funds Expenditures - Education

Total Budget: \$1,342,255,400



FY2024 Recommended Budget Education Expenditure Highlights



Education

\$99,970,300

Continuity of Operations

4% COLA

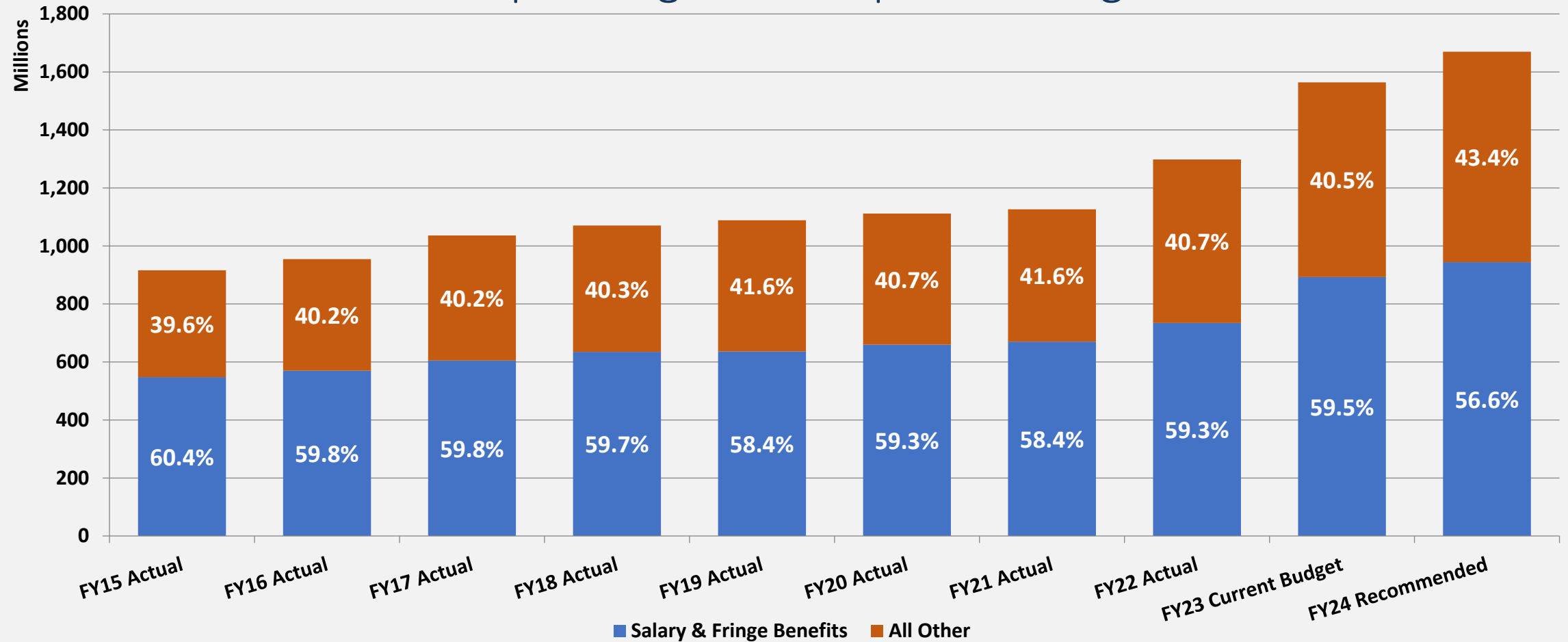
Administrative Pay Plan

Classroom Associates

No Cost Lunches

FY2024 Recommended Budget Tax Supported General Funds Expenditure Highlights

General Operating Funds Expense Categories



FY2024 Recommended Budget Tax Supported General Funds Expenditure Highlights



Employees

\$55 M

Largest Increase in Metro History

4% COLA

Increments
For Eligible
Employees

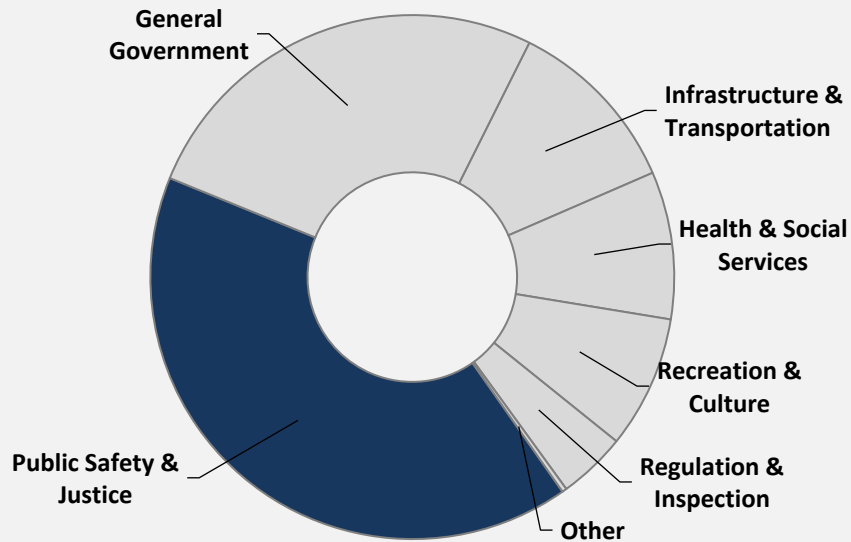
3% Merit

Public Safety
Recruiting and
Retention
Adjustments

FY2024 Recommended Budget Tax Supported General Funds Expenditure Highlights

Public Safety & Justice

Percentage of Total Operating Funds



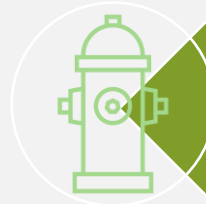
FY 2024 New Investments

Police



- Fully Staffed 9th Precinct
- School Security Initiative
- Creation of full time Entertainment District Unit
- Increasing sworn officer headcount by 50

Fire



- 41 new Firefighters
- 49 new EMS positions & Additional Medic Units
- Behavioral Health Specialist

Office of Family Safety

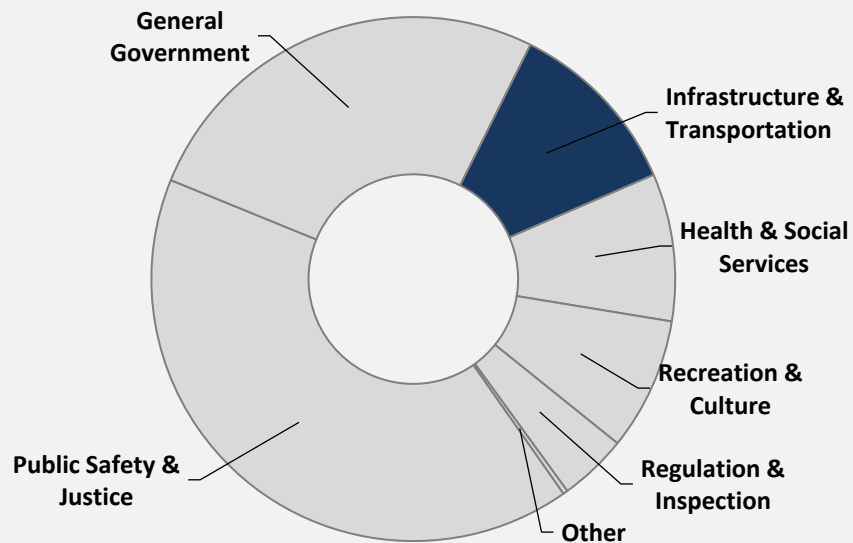


- Long Term Case Management
- Director for Public Outreach

FY2024 Recommended Budget Tax Supported General Funds Expenditure Highlights

Infrastructure & Transportation

Percentage of Total Operating Funds



FY 2024 New Investments



NDOT

- Expansion of Litter Program
- Street Sweeping
- Streetscaping Maintenance
- Right of Way Striping
- Transportation Planning



Waste Services

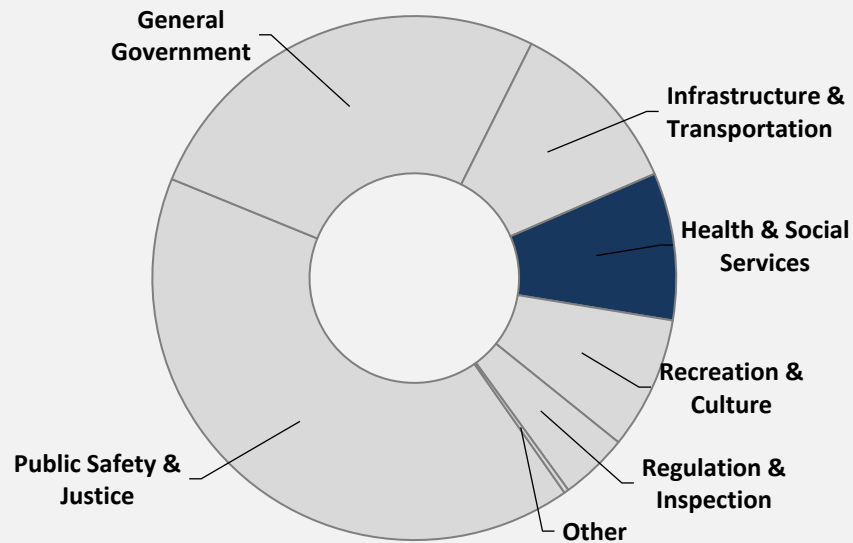
- Waste Hauling Contractual Increases
- Vehicle Rentals

FY2024 Recommended Budget Tax Supported General Funds Expenditure Highlights

FY 2024 New Investments

Health & Social Services

Percentage of Total Operating Funds



Health

- Further Expansion of Partners in Care to two more Police precincts
- Funding for Responders Engaged and Committed to Help Program (REACH)
- Interpretation Services
- Additional Security Services



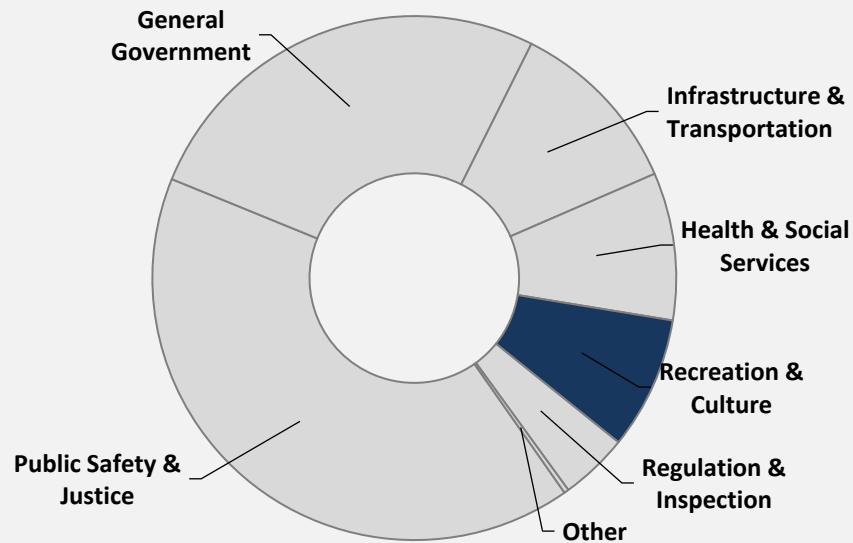
Office of Homeless Services

- New Department as of July 1
- \$750K Increase in Community Partnership Fund Grants
- \$500K Housing and Support Services Grants

FY2024 Recommended Budget Tax Supported General Funds Expenditure Highlights

Recreation & Culture

Percentage of Total Operating Funds



FY 2024 New Investments

Parks

- Opening of Mill Ridge & Ravenwood
- Old Hickory Expansion
- Full funding of all Parks Community Centers Open on Saturdays
- Further investments in parks maintenance

Library

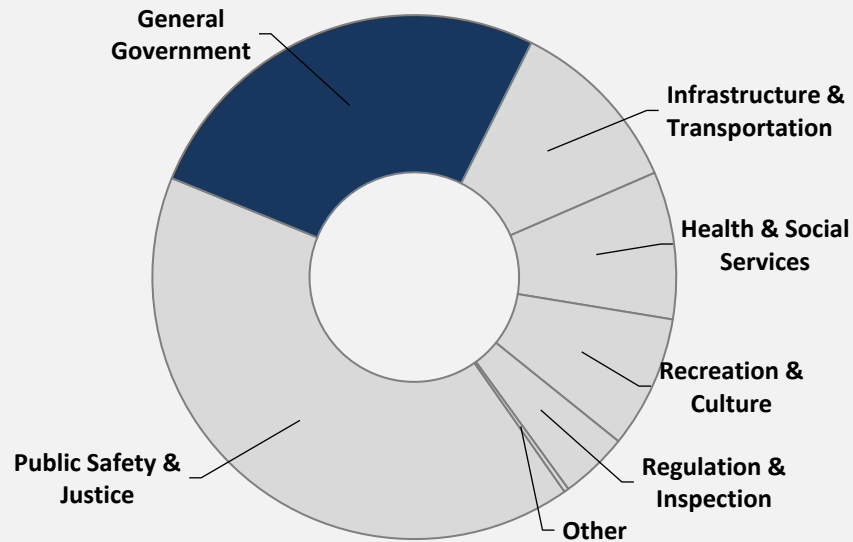
- Opening of Donelson Branch in Spring 2024
- NAZA Transportation Cost Increase
- Equal Access Program Expansion
- Votes for Women Program
- Additional Children's Librarians



FY2024 Recommended Budget Tax Supported General Funds Expenditure Highlights

General Government

Percentage of Total Operating Funds



FY 2024 New Investments

Metro Council



- Funding to provide Kurdish translation by closed caption for Metropolitan Council meetings

Human Resources



- \$1M comprehensive compensation study for Metro employees

General Services

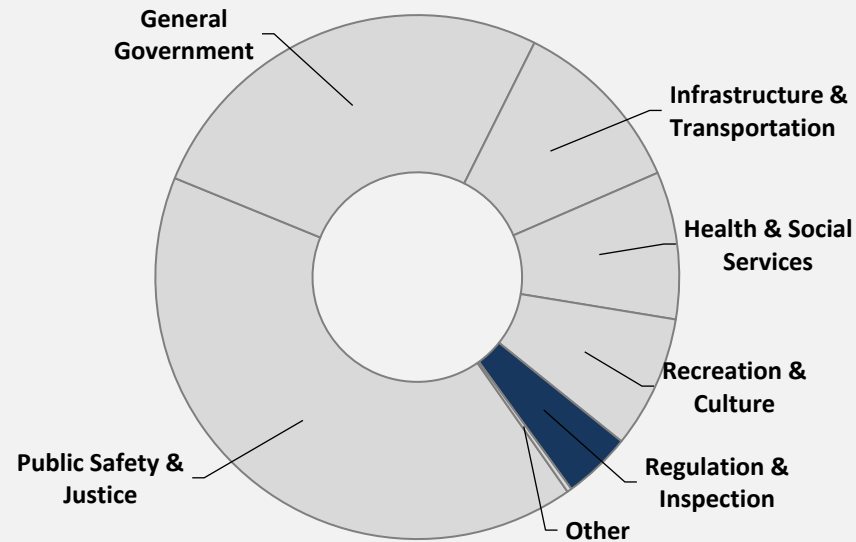


- Creation of a fleet overnight service program to turn around fleet vehicle maintenance and repairs faster

FY2024 Recommended Budget Tax Supported General Funds Expenditure Highlights

Regulation & Inspection

Percentage of Total Operating Funds



FY 2024 New Investments



Codes

- Additional Property Standards Inspectors
- Dedicated staff for noise complaints



Beer Board

- Establishment of Office of Nightlife



Housing

- Barnes Contribution- \$23.25 million

Funds Balances

Funds Balances - Policy

Operating Funds Balances

- 2 months operating (17%)
- Allowable applications of surplus:
 - One-time capital
 - Debt reduction
 - Establishment of additional reserves

	GSD	USD	MNPS	TOTAL
Projected Balance	\$300,894,300	\$30,747,900	\$270,825,200	\$602,467,400
Policy Requirement	241,342,000	30,484,300	204,930,400	476,756,700
Surplus	\$59,552,300	\$263,600	\$65,894,800	\$125,710,700

Debt Service Funds Balances

- 50% of annual appropriation
- Allowable applications of surplus:
 - Debt Retirement

	GSD	USD	MNPS	TOTAL
Projected Balance	\$128,074,600	\$12,312,600	\$78,787,100	\$219,174,300
Policy Requirement	128,074,600	10,094,500	68,391,300	206,560,400
Surplus	\$0	\$2,218,100	\$10,395,800	\$12,613,900

Funds Balances – Surpluses Allocations

Operating Funds Balances Surpluses Allocations - \$125,447,100

GSD/USD Allocations	
Barnes Fund Affordable Housing	\$6,750,000
Capital Grants for Cultural Support	2,000,000
Large Vehicle Fleet	4,957,500
Nashville General Hospital Capital	7,344,800
Murfreesboro Pike – BRT Planning	15,000,000
Vision Zero	12,000,000
Traffic Calming	4,000,000
Sidewalks	7,500,000
Total	\$59,552,300

MNPS Allocations	
Alex Green Elementary Addition	\$9,480,000
Pre-K Classroom Additions/Renovations	25,600,000
5th Grade Space Portables/Renovations	750,000
Districtwide Capital Projects	18,314,800
Additional Reserve	11,750,000
Total	\$65,894,800

All Debt Services Funds Balances Surpluses Allocations - \$0

- Retain surpluses in all existing funds for future debt issuances

Council Budget Calendar



First reading of the Mayor's Recommended Operating Budget, Tax Levy ordinances by the Council.



Council Budget and Finance Committee hold five committee meetings and hearings regarding departmental budgets.



Public Hearing and Second Reading of the Operating Budget by the Council.



Third and Final Reading of the Operating Budget Ordinance; the Council adopted a Substitute Operating Budget Ordinance and the tax levy ordinance.



Charter deadline for Council to pass a balanced budget and property tax levy ordinances.



Key Legislation to Track

FY 2024 Budget and Related Legislation

- Budget Ordinance
- Tax Levy
- Urban Council Resolution
- New Position Ordinance and Pay Plan Resolutions
- Tax Anticipation Notes (TANs)

FY 2024 Capital Improvements Budget (CIB)

FY 2023 Four Percent Reserve Fund Resolution

FY 2023 Operating Budget Supplemental

<https://www.nashville.gov/departments/finance/management-and-budget/citizens-guide-budget>