

April 24, 2025

Mr. Aaron Pratt
Budget Officer
Metropolitan Government of Nashville and Davidson County
Howard Office Building
700 President Ronald Regan Way, Suite 201
Nashville TN, 37210

Transmittal of Final Technical Memorandum for the Metropolitan Government of Nashville & Davidson County USD/GSD Cost and Revenue Allocation Analysis

Dear Mr. Pratt:

Raftelis is pleased to present this Technical Memorandum for the Metropolitan Government of Nashville & Davidson County USD/GSD Cost and Revenue Allocation Analysis. In 2023-24, Raftelis was engaged by the Metropolitan Government of Nashville & Davidson County (Metro) to perform a USD/GSD Revenue and Expenses Analysis the scope of which included the following:

- 1) Analyze the Metro Charter.
- 2) Evaluate the current allocation of revenues and costs between the Urban Services District (USD) and the General Services District (GSD) in terms of services provided within each district.
- 3) Identify potential options for re-allocation of revenues and costs between the districts to best reflect the services provided by the Metro Government and paid for by property owners within each district.

The current analysis is intended to update the prior study with the most current available budget and property data, and further evaluate cost and revenue allocation criteria, as well as any impacts the criteria may have to property owners and satellite cities.

Raftelis has completed the update of the analysis, and the results are presented in this Technical Memorandum. This Technical Memorandum is intended to present our analysis to Metro staff and the Metro Finance Director's office for review and consideration.

The Current Configuration

As required by the Metro Charter, there is 1) the Urban Services District (USD) which includes the former "City of Nashville" plus urban areas that have since been annexed into the USD, and 2) the General Services District which includes all other areas of Davidson County which are not included in the USD. Expenses are allocated to the two District's General Funds for FY 2025 as follows:

	FY25 Budget	
	GSD General Fund	USD General Fund
General Government	\$ 303,020,600	\$ 69,302,700
Fiscal Administration	\$ 39,752,200	-
Administration of Justice	\$ 100,671,300	-
Law Enforcement and Care of Prisoners	\$ 415,834,500	\$ 481,000
Fire Prevention and Control	\$ 101,490,400	\$ 105,014,700
Regulation, Inspection, & Economic Development	\$ 45,324,000	-
Social Services	\$ 14,290,900	-
Health and Hospitals	\$ 136,993,200	-
Public Library System	\$ 44,780,300	-
Recreational, Cultural, Conservation & Community Support	\$ 92,045,200	-
Infrastructure and Transportation	\$ 136,312,700	\$ 11,261,900
Other Appropriations	\$ 17,289,900	-
Total FY25 Budget	\$ 1,447,805,200	\$ 186,060,300

Current Allocations – As can be seen in the table above General Government, Law Enforcement and Care of Prisoners, Fire Prevention and Control, and Infrastructure and Transportation are currently allocated between the GSD and the USD. A significant portion of the USD General Government budget (approximately \$41.6 million) is related to the transfer of funds for Solid Waste services, which are only provided to USD properties. The Infrastructure and Transportation budget within the USD contains costs related to Street Lighting, which is a cost 100% allocated to the USD. Roadways and all other public works within the Infrastructure and Transportation budget are allocated 100% to the GSD. All other expense categories are allocated 100% to the GSD.

Potential Adjustments to Current Allocations

Law Enforcement and Care of Prisoners (Law Enforcement) and Fire Prevention and Control (Fire) – In discussions with Metro staff, it was determined that Law Enforcement and Fire Services are provided to all parcels in the County at relatively equal levels of service. Therefore, 100% of expenses and revenues for these cost categories would be more appropriately fully allocated to the GSD because all parcels, those in the USD and those in the GSD will pay their proportionate amount of these expenses in the GSD tax (which is also paid by parcels in the USD).

Street Lighting & Solid Waste - It was also determined that the services provided to and benefitting only USD properties should be retained within the USD. These services include the portion of the USD General Government budget related to Solid Waste, and the USD’s Infrastructure and Transportation budget related to Street Lighting.

General Government – All remaining General Government expenses currently allocated to the USD would be more appropriately allocated to the GSD apart from certain costs that Metro Staff have identified as legally required to be retained within the USD. These include Guaranteed Payment Plan Pension Expenses, MDHA

Property Tax Increments, certain Administrative Benefit adjustments, and Electric Utility Contingencies related to Street lighting.

All Other Categories – All other categories of expenses benefit all properties within the County and therefore are appropriately allocated 100% to the GSD because all parcels, those within the USD and those within the GSD, will pay their proportionate amount of these expenses in the GSD tax (which is also paid by parcels in the USD).

The above discussed transfers, “Potential Adjustments to Current Allocations”, are discussed in more detail within the body of this Technical Memorandum and displayed on Table 4 (page 9).

Impact to Taxpayers

If the allocations discussed above and presented within the body of this Technical Memorandum are implemented, the impact to single family homes and a sample of commercial properties are simulated in the table below:

GSD Single Family Homes								
Appraised Value	Assessed Value	Combined FY 25		Combined Total		FY 25 Adjusted		% Change
		Tax Rate	FY 25 Tax Bill	Adj Tax Rate	Tax Bill	\$ Change		
\$ 100,000	\$ 25,000	2.922	\$ 731	3.134	\$ 783	\$ 52.88	7.2%	
\$ 200,000	\$ 50,000	2.922	\$ 1,461	3.134	\$ 1,567	\$ 105.75	7.2%	
\$ 300,000	\$ 75,000	2.922	\$ 2,192	3.134	\$ 2,350	\$ 158.63	7.2%	
\$ 400,000	\$ 100,000	2.922	\$ 2,922	3.134	\$ 3,134	\$ 211.51	7.2%	
\$ 500,000	\$ 125,000	2.922	\$ 3,653	3.134	\$ 3,917	\$ 264.38	7.2%	
\$ 600,000	\$ 150,000	2.922	\$ 4,383	3.134	\$ 4,700	\$ 317.26	7.2%	
\$ 700,000	\$ 175,000	2.922	\$ 5,114	3.134	\$ 5,484	\$ 370.13	7.2%	

USD Single Family Homes								
Appraised Value	Assessed Value	Combined FY 25		Combined Total		FY 25 Adjusted		% Change
		Tax Rate	FY 25 Tax Bill	Adj Tax Rate	Tax Bill	\$ Change		
\$ 100,000	\$ 25,000	3.254	\$ 814	3.241	\$ 810	\$ (3.24)	-0.4%	
\$ 200,000	\$ 50,000	3.254	\$ 1,627	3.241	\$ 1,621	\$ (6.48)	-0.4%	
\$ 300,000	\$ 75,000	3.254	\$ 2,441	3.241	\$ 2,431	\$ (9.72)	-0.4%	
\$ 400,000	\$ 100,000	3.254	\$ 3,254	3.241	\$ 3,241	\$ (12.96)	-0.4%	
\$ 500,000	\$ 125,000	3.254	\$ 4,068	3.241	\$ 4,051	\$ (16.20)	-0.4%	
\$ 600,000	\$ 150,000	3.254	\$ 4,881	3.241	\$ 4,862	\$ (19.44)	-0.4%	
\$ 700,000	\$ 175,000	3.254	\$ 5,695	3.241	\$ 5,672	\$ (22.68)	-0.4%	

GSD Commercial Properties								
Appraised Value	Assessed Value	Combined FY 25		Combined Total		FY 25 Adjusted		% Change
		Tax Rate	FY 25 Tax Bill	Adj Tax Rate	Tax Bill	\$ Change		
\$ 500,000	\$ 200,000	2.922	\$ 5,844	3.134	\$ 6,267	\$ 423.01	7.2%	
\$ 1,000,000	\$ 400,000	2.922	\$ 11,688	3.134	\$ 12,534	\$ 846.02	7.2%	
\$ 5,000,000	\$ 2,000,000	2.922	\$ 58,440	3.134	\$ 62,670	\$ 4,230.11	7.2%	
\$ 10,000,000	\$ 4,000,000	2.922	\$ 116,880	3.134	\$ 125,340	\$ 8,460.22	7.2%	

USD Commercial Properties								
Appraised Value	Assessed Value	Combined FY 25		Combined Total		FY 25 Adjusted		% Change
		Tax Rate	FY 25 Tax Bill	Adj Tax Rate	Tax Bill	\$ Change		
\$ 500,000	\$ 100,000	3.254	\$ 3,254	3.241	\$ 3,241	\$ (12.96)	-0.4%	
\$ 1,000,000	\$ 200,000	3.254	\$ 6,508	3.241	\$ 6,482	\$ (25.92)	-0.4%	
\$ 5,000,000	\$ 300,000	3.254	\$ 9,762	3.241	\$ 9,723	\$ (38.88)	-0.4%	
\$ 10,000,000	\$ 400,000	3.254	\$ 13,016	3.241	\$ 12,964	\$ (51.84)	-0.4%	

Blue Shade = Average Appraised Single Family Home Value

Note: Residential properties are assessed at 25% of appraised values, Commercial properties are assessed at 40% of appraised values.

Observation

If Metro's goal is cost recovery based on services provided within geographic boundaries of the USD and GSD, a reallocation of expenses and revenues is recommended. As discussed above, certain costs and revenues are not currently allocated based on service delivery to the USD and GSD.

The allocations presented in the body of this Technical Memorandum and quantified on Table 4 (page 9) would conform all costs and revenues to be allocated based upon services provided within the geographic boundaries of the USD and the GSD.

It has been a pleasure working with you, and we thank you and Metro staff for the support provided during the course of this study.

Sincerely,
Raftelis Financial Consultants, Inc.



Melissa Levin
Executive Vice President



Micheal Burton
Senior Principal

TECHNICAL MEMORANDUM

4-24-2025

Metropolitan Government of Nashville & Davidson County USD/GSD Cost and Revenue Allocation Analysis

1. Introduction

In 2023-24, Raftelis was engaged by the Metropolitan Government of Nashville & Davidson County (Metro) to perform a USD/GSD Revenue and Expenses Analysis the scope of which included the following:

- 4) Analyze the Metro Charter.
- 5) Evaluate the current allocation of revenues and costs between the Urban Services District (USD) and the General Services District (GSD) in terms of services provided within each district.
- 6) Identify potential options for re-allocation of revenues and costs between the districts to best reflect the services provided by the Metro Government and paid for by property owners within each district.

Raftelis completed the analysis of the scope items listed above and presented a Technical Memorandum documenting the results. Raftelis has been engaged currently to update the analysis and further evaluate Metro's allocation of revenues and expenditures between the USD and GSD. The updated scope includes the following tasks:

- 1) Confirm impact to satellite cities (Belle Meade, Goodlettsville, Berry Hill, Oak Hill, Forest Hills) and update the workbook analysis and draft report to include any changes to the model, if required.
- 2) Update the model and report that was provided by Raftelis to the Metropolitan Government of Nashville and Davidson County that reflects the 2023 adopted budget and actuals to the fiscal year 2025 beginning budget.
- 3) Review annual capital and operating budgets and prepare required reports. Review long-term tax rate impacts of the budgets and make recommendations based on most recent activity and Administration priorities.
- 4) Provide recommendations and options to be considered in establishing taxing district(s) to include estimated fiscal and service impacts, if any, for commercial and residential properties.
- 5) Simulate the outcomes of a single taxing district assuming short and long term implementation timelines provided by Metro. Provide clear summarization tables of each variable scenario considered. Include scenarios in which the Guaranteed Pension Plans become fully funded.
- 6) Evaluate Fire Service regarding basis for allocation to districts.
- 7) Evaluate Street Lighting Service regarding basis for allocation to districts.
- 8) Conduct three (3) interactive review sessions with Metro staff during the analysis.
- 9) Provide a report with implementation options and recommendations to include financial actions, engagement strategies, and other communication tools. Present the results to Metro.

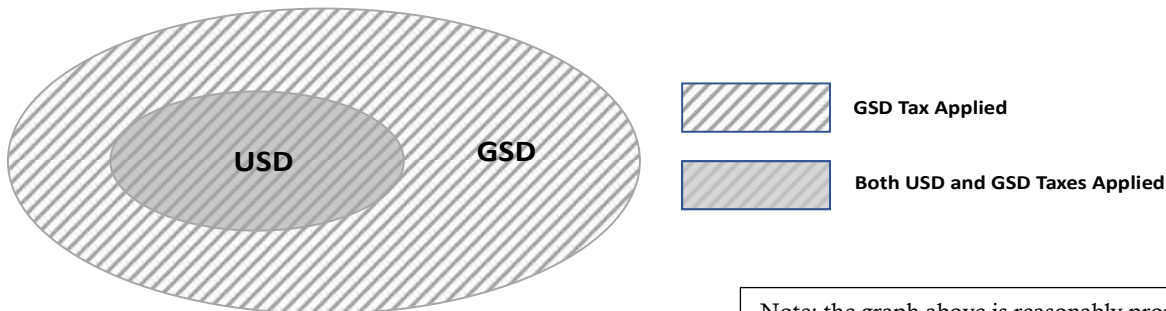
This Technical Memorandum is intended to present our analysis to Metro staff and the Metro Finance Director's office for review and consideration.

2. USD/GSD Revenue and Expenses Analysis

Raftelis conducted a preliminary kickoff conference call during which Raftelis and Metro staff discussed the project objectives, the current situation and background regarding the USD and the GSD and the concepts that the working group agreed to evaluate regarding allocation of revenues and costs to each district.

- a. **Initial Observations** - Based upon the above referenced discussions with Metro staff, evaluation of the Charter, and evaluation of the current revenue and cost allocations between the USD and the GSD, the following observations are critical to any adjustment to the revenue and cost allocations between the districts.
- **Property Taxes** - The first observation is that USD property owners pay not only the USD tax, but also the GSD tax. Property owners within the USD receive the same services as GSD property owners for Fire, Police and General Government Administration, but currently pay a premium for such services. A graphical depiction of this is presented below. In addition, a table showing the current, FY 2025 adopted tax rates for property owners within the USD and GSD is displayed. Please note that this table represents the typical property owner’s property tax rates for each district and does not include any additional tax rates for properties within special taxing districts such as the Central Business District or satellite cities.

Representational Graphical Depiction of the GSD and the USD and How Taxes are Applied



Make-Up of USD & GSD*			
	GSD	USD	Difference = GSD Only Properties
Area Size (Sq Miles)	100%	38%	62%
Population	100%	72%	28%
Assessed Property Values	100%	76%	24%
Taxe Rate Paid		USD+GSD	GSD Only

*Approximate Percentages

Note: the graph above is reasonably proportional to the actual areas of the USD and the GSD which are 38% USD and 100% GSD. However, because properties in the USD pay both the USD and the GSD tax and properties outside of the USD pay only the GSD tax, it is important to note that only about 24% of the property value of the parcels in the GSD lie outside of the USD (where properties pay only the GSD tax). This is important to understand when reviewing the impacts to properties (later in this report) within the USD (that pay both the USD and GSD tax) and to properties that are in the GSD (but outside of the USD and pay only the GSD tax).

FY 2025 Adopted Tax Rates		
	Tax Rates Paid in GSD	Tax Rates Paid in USD
GSD General Fund	1.339	1.339
GSD Debt Service Fund	0.459	0.459
MNPS (Schools) Fund	1.000	1.000
MNPS Debt Service Fund	0.124	0.124
USD General Fund	0.000	0.291
USD Debt Service Fund	0.000	0.041
Total (per \$100 Assessed Value)	2.922	3.254

Note: USD Pays 0.332 or 11.4% higher than GSD in FY 2025

Property owners within the USD pay all tax rates a GSD property owner would pay, plus additional tax rates for the USD General and Debt Service Funds.

- Services Provided** – The second observation is that based upon discussions with Metro staff, Raftelis has concluded that several services such as Fire, Police and General Government Administration are provided Metro-wide, and the level of service provided is essentially the same for properties within the USD and for properties solely within the GSD. Consider fire service solely as an example, the fire service operating budget is \$206.5 million, funded from GSD \$101.5 million and USD \$105 million. The GSD portion of \$101.5 million is supported by property tax revenue from properties in both the GSD and USD. The USD portion of \$105 million is supported by property tax revenue from properties only in the USD. From this example, it can be concluded that by paying the combined GSD & USD property tax rate, properties in the USD support more than twice as much of the fire operating budget as properties in the GSD which are outside of the USD, which pay only the GSD property tax rate but properties within each district generally receive proportionately similar levels of fire service.

It was also observed that properties solely within the USD do receive premium services for Street Lighting and Solid Waste which are funded by property tax revenues collected within the USD. Properties in the GSD, but not in the USD, do not receive these services; therefore, it is appropriate for the cost of these services to be allocated solely to the USD only.

- b. Allocation of Operating Costs** – The allocation concept identified in this analysis moves away from any allocation based on geographical boundaries of the USD and GSD and considers service area boundaries. Based upon the above referenced observations, Raftelis has determined that the most fair and equitable approach to budgeting would be that 100% of costs that fund services provided Metro-wide (i.e., Fire, Police and General Government Administration) should be allocated to the GSD. This would ensure all properties benefiting from the services provided by Metro on a Metro-wide basis pay their proportionate share of those costs through their GSD General Fund tax, which is charged to all properties within the Metro government boundaries. In this scenario, USD properties would not pay a premium for those services in their USD tax.

Services such as Street Lighting and Solid Waste collection, which are provided to properties solely within the USD, should remain within the USD General Fund budget. These costs, and any other services provided to the USD to the exclusion of the GSD should continue to be recovered through the USD

General Fund property tax. It should be noted that through discussions with Metro Staff, certain personnel costs within the USD NDOT budget are only partially applicable to the USD Street Lighting costs. For a conservative estimate, we have kept the NDOT personnel costs within the USD budget, however, as future budgets are prepared, these costs would need to be refined and allocated to the USD so that only the percentage of time and cost of personnel related to Street Lighting would remain within the USD; and all other costs for these personnel could be transferred to the GSD budget.

Regarding the General Government Administrative costs contained within the USD, Metro Office of Management and Budget (OMB) staff have provided a list of these costs and explanations of their purpose. To the extent that OMB staff have concluded that the costs could potentially move to the GSD, this analysis includes these in the transfer of costs. The analysis presented herein assumes the full level of potentially available transfers of these General Administrative costs from the USD to the GSD. As such, a portion of the General Government Administrative costs remain within the USD at the conclusion of the analysis.

- c. **Allocation of Non-Property Tax Revenues** – Aside from property tax revenues, the USD is funded by an allocated amount of Other Taxes, Licenses and Permit revenues. Based on discussions with OMB staff, it is Raftelis’ understanding that these revenues are simply allocated from the Metro-wide pool of such revenues and are transferred in an amount to balance the USD budget in each fiscal year. OMB staff have submitted their opinion that these revenues are eligible to be allocated between the districts as needed. The one outlier to this concept is Alcoholic Beverage Gross Receipts Taxes. Metro Staff have concluded that these taxes must be distributed to Metro Nashville Public Schools accordingly and then retained within the geographic boundaries of each district. Therefore, this analysis retains these revenues within each district’s budget.

To mitigate the property tax impacts of the cost transfers from the USD to the GSD, this analysis assumes moving all available Other Taxes, Licenses and Permit revenues from the USD to the GSD, apart from Alcoholic Beverage Gross Receipts Taxes and debt related revenue. This is a scenario that can be changed to transfer any level of these revenues, though the analysis herein assumes the full transfer of available non-property tax revenues.

Other non-property tax revenues within the USD include direct State funding for certain Fire related costs, as well as certain Fire related charges for service. These revenues are assumed to be transferred from the USD to the GSD due to the transfer of Fire costs to the GSD.

- d. **Recalculation of Property Tax Rates and Revenues** - After the transfer of all eligible costs and non-property tax revenues from the USD to the GSD, this analysis then considers the revised property tax rates and revenues needed to recover the adjusted revenue requirements of the USD and the GSD. Raftelis has developed a model that calculates the following:
- The adjusted tax rate for each district’s General Fund. After all costs and non-property tax revenues are transferred in the method described herein, the remaining revenue needs for each fund are assigned to the property tax revenues. The total percentage change in property tax revenue needs is used to determine the change in tax rates for each General Fund. The new property tax

rates and revenues are calculated to retain the FY 2025 budgeted net cash flows for each fund within each district. Table 5 of this report displays the current and adjusted property tax rates and associated budgeted and adjusted property tax revenues;

- It is important to note that the revised tax rates and impacts displayed in this analysis are for discussion and consideration purposes only. The goal of this Technical Memorandum is to illustrate the “order of magnitude” as to how these cost and revenue shifts may impact the funds. The analysis relies upon FY 2025 budget data, and if any of the reallocation options presented herein were to be enacted the final impacts would be reflective of the most up to date budget information and property values. Non-Current Year Property Tax Revenues are considered unchanged in this analysis, and if any of these recommendations were to be implemented, these revenues and associated tax rate changes would impact future years rather than current year.

- e. **Considerations of Satellite Cities** – As part of this update we have reviewed each individual Metro Satellite City tax rates and services provided by the respective City budgets. These Satellite Cities are contained within the boundaries of the GSD, and as such pay the GSD property tax rates for the General Fund, Debt Service and schools funds. The Satellite Cities include Berry Hill, Belle Meade, Forest Hills, Goodlettsville, Oak Hill, and Ridgeway. Each City funds services to their property owners through various rates, charges and local option sales taxes. Of these Cities, only Belle Meade, Goodlettsville and Ridgeway have their own property tax rates beyond the GSD rate.

In consideration of the cost reallocation discussed in this study, the only satellite city with a significant overlap of service is Goodlettsville, which funds its own full-service Fire Department. Metro has provided documentation of Metro Fire and Goodlettsville’s mutual service agreement, which does not require any transfer of funds one way or the other. While the GSD property tax would increase to accommodate the USD Fire cost transfers, and the property owners in Goodlettsville would see this increase to their annual property tax bills, the adjustment would fairly capture the cost of Fire services provided throughout the GSD and Metro Fire’s readiness to provide mutual aid to Goodlettsville.

- f. **Consideration of the 4% Fund** –The GSD funds a capital improvement fund labeled the “4% Fund”. The 4% fund relies on a 4% transfer from the GSD of all applicable, locally sourced revenues for a capital reserve. The GSD funds 100% of the transfer to the 4% Fund and the USD does not fund any amount of the transfer to the 4% Fund. The total transfer amount is calculated as a percentage of all originally sourced revenues (excludes transfers in, State and Federal funds, grants, etc. within the GSD). The 4% Fund transfer is currently budgeted in FY 2025 at \$49,000,000. To the extent that any locally sourced revenues within the GSD would change based upon the re-allocation concepts discussed herein, the level of the 4% transfer would also adjust. For the purposes of this analysis, we have retained the budgeted transfer of \$49,000,000 to the 4% fund.
- g. **Single General Fund District Special Service District Considerations** – As discussed in this analysis, certain costs and revenues such as the significant revenues from Alcoholic Beverage Gross Receipts Taxes must be contained within their respective districts. In order to provide as much revenue to the GSD to offset any cost reallocation, a consideration of merging the USD within the GSD for Metro to have a single

General Fund and Debt Service Fund (not considering schools) may be of interest to Metro staff for discussion. This would need to be reviewed by Metro legal staff for feasibility and is only mentioned in this report as a future concept to consider.

To be consistent with property taxes only being assessed to properties benefiting from the services provided, we would suggest considering Special Service Districts or Enterprise Funds for Street Lighting and Solid Waste services, both services are currently provided only within the USD. In addition, an Enterprise Fund, Special Service District or Special Revenue Fund for Fire may be considered. Isolating the Metro-Wide Fire Service budget to an Enterprise Fund, Special Service District or Special Revenue Fund may allow for allocation of costs to individual parcels that may further equitability for services provided compared to benefit received. While this could be considered a district funded by special property tax, alternative methods such as special assessments or fire fees may be imposed on benefitted properties to more proportionately collect revenues by the properties receiving benefit compared to property taxes. Preliminary estimates for Fire and Street Lighting special revenue fees or taxes can be calculated as part of this study if Metro wishes to proceed with this concept. Raftelis will only engage with this phase of the study at the direction of Metro. Creating an Enterprise Fund with service rates for Solid Waste has been explored by a Raftelis Study performed in FY 2023-24 and presented to Metro.

Note: As with the single district scenario mentioned above, the legal feasibility of these concepts must be explored.

- h. Future Capital Projects and Debt Service Considerations** – For consistency with the concepts outlined in this study, the costs of future capital projects for Fire, Police and General Government should be allocated to the GSD General Fund, or if these capital costs are part of a future debt issuance the debt service associated with such projects should be allocated to the GSD Debt Service Fund. Existing debt service for these projects could be evaluated for legality of transfer, however, this analysis assumes the bond covenants show that the projects currently funded within the USD Debt Service Fund must be retained within the USD Debt Service Fund.

3. Results of the USD/GSD Financial Analysis

The results for the option discussed above, wherein all costs for services and non-property tax revenues provided on a Metro-wide basis are allocated to the GSD are presented in this section.

The model developed for this analysis is rather extensive for proper calculation of all revenues, costs, tax rates and taxes for both the USD and the GSD districts. To simplify the analysis for this document, Raftelis has developed a high-level presentation of the results of the option for Metro's consideration (to allocate all costs for services and non-property tax revenues that are provided on a Metro-wide basis from the USD to the GSD), which is presented in the following series of tables.

Table 1 on the following page shows the impact of these transfers on the GSD and USD General Fund tax rates (highlighted in blue), as well as the combined property tax rates for property owners within each district (excluding central business district or any satellite city taxes). Table 2 shows the impact of these transfers on the GSD and USD total tax bill for a sample single family homes and commercial properties.

Table 1 – Impact Upon Tax Rates

	Tax Rates Paid by USD Property Owner			Tax Rates Paid by GSD Property Owner		
	FY 2025 Adopted	Adjustments	FY 2025 Adjusted	FY 2025 Adopted	Adjustments	FY 2025 Adjusted
GSD General Fund	1.339	0.212	1.551	1.339	0.212	1.551
GSD Debt Service Fund	0.459	0.000	0.459	0.459	0.000	0.459
MNPS (Schools) Fund	1.000	0.000	1.000	1.000	0.000	1.000
MNPS Debt Service Fund	0.124	0.000	0.124	0.124	0.000	0.124
USD General Fund	0.291	-0.224	0.067	0.000	0.000	0.000
USD Debt Service Fund	0.041	0.000	0.041	0.000	0.000	0.000
Combined Property Tax	3.254	-0.013	3.241	2.922	0.212	3.134

Table 2 – Sample Impacts Upon Property Tax Bills

GSD Single Family Homes								
Appraised Value	Assessed Value	Combined FY 25		Combined Total		FY 25 Adjusted		% Change
		Tax Rate	FY 25 Tax Bill	Adj Tax Rate	Tax Bill	\$ Change		
\$ 100,000	\$ 25,000	2.922	\$ 731	3.134	\$ 783	\$ 52.88	7.2%	
\$ 200,000	\$ 50,000	2.922	\$ 1,461	3.134	\$ 1,567	\$ 105.75	7.2%	
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USD Single Family Homes								
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GSD Commercial Properties								
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USD Commercial Properties								
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\$ 1,000,000	\$ 200,000	3.254	\$ 6,508	3.241	\$ 6,482	\$ (25.92)	-0.4%	
\$ 5,000,000	\$ 300,000	3.254	\$ 9,762	3.241	\$ 9,723	\$ (38.88)	-0.4%	
\$ 10,000,000	\$ 400,000	3.254	\$ 13,016	3.241	\$ 12,964	\$ (51.84)	-0.4%	

Blue Shade = Average Appraised Single Family Home Value

Note: Residential properties are assessed at 25% of appraised values, Commercial properties are assessed at 40% of appraised values.

The graphical results of the reallocation of costs and revenues from the USD to the GSD are presented on the following page in Table 3.

Note: The graphs on the following page include all tax rates and taxes paid by properties in the USD and GSD respectively as shown in the tables above. Of these funds, the scope of this analysis is only adjusting the USD and GSD General Funds. The other Metro funds, although included in the overall property impact analysis shown, remain unchanged in all the analyses presented herein.

Table 3 – Impact of Moving Fire Prevention and Control Expenses and Related Revenues from the USD to the GSD as Well as Law Enforcement/Care of Prisoners and Available General Government Administrative Costs. In Addition, Move all Allocated Other Taxes, Licenses and Permit Revenues from the USD to GSD, with exception of Alcoholic Beverage Taxes.

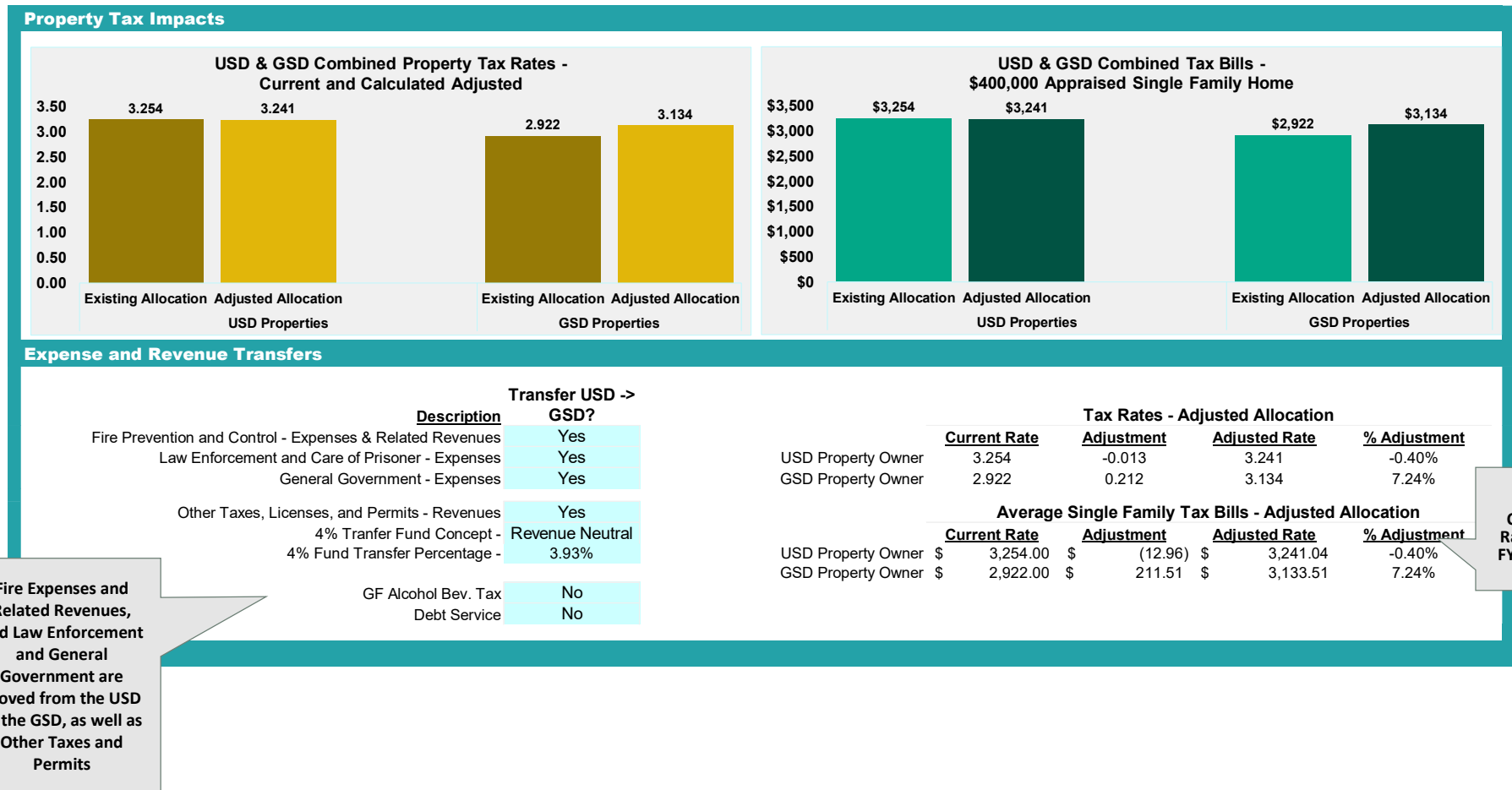


Table 4 on the following page shows the Expenditures and Non-Property Tax Revenues that were moved from the USD to the GSD in the preceding graph. In addition, the final cash flows of each fund are shown after all adjustments are made. The cash flows are targeted to match the FY 2025 budgeted net cash flows.

Table 4 – Detail of Expenses and Non-Property Tax Revenues Moved from the USD to the GSD

General Fund Transfer and Adjustment of Expenditures

Certain General Government Costs would remain within the USD.

Expense Category	USD General Fund Expenses				GSD General Fund Expenses		
	FY 2025 Budget	% Transfer to GSD	\$ Transfer to GSD	Adjusted Budget	FY 2025 Budget	Transfers From USD*	Adjusted Budget
General Government - Direct	\$ 5,554,300	100%	\$ 5,554,300	\$ -			
General Government - Unavailable for Transfer	\$ 22,107,900	0%	\$ -	\$ 22,107,900			
Solid Waste Transfer	\$ 41,640,500	0%	\$ -	\$ 41,640,500			
General Government - Total	\$ 69,302,700	8%	\$ 5,554,300	\$ 63,748,400	\$ 303,020,600	\$ 5,554,300	\$ 308,574,900
Fiscal Administration	\$ -	0%	\$ -	\$ -	\$ 39,752,200	\$ -	\$ 39,752,200
Administration of Justice	\$ -	0%	\$ -	\$ -	\$ 100,671,300	\$ -	\$ 100,671,300
Law Enforcement and Care of Prisoners*	\$ 481,000	100%	\$ 481,000	\$ -	\$ 415,834,500	\$ -	\$ 415,834,500
Fire Prevention and Control	\$ 105,014,700	100%	\$ 105,014,700	\$ -	\$ 101,490,400	\$ 105,014,700	\$ 206,505,100
Regulation, Inspection, & Economic Development	\$ -	0%	\$ -	\$ -	\$ 45,324,000	\$ -	\$ 45,324,000
Social Services	\$ -	0%	\$ -	\$ -	\$ 14,290,900	\$ -	\$ 14,290,900
Health and Hospitals	\$ -	0%	\$ -	\$ -	\$ 136,993,200	\$ -	\$ 136,993,200
Public Library System	\$ -	0%	\$ -	\$ -	\$ 44,780,300	\$ -	\$ 44,780,300
Recreational, Cultural, Conservation & Community Support	\$ -	0%	\$ -	\$ -	\$ 92,045,200	\$ -	\$ 92,045,200
Infrastructure and Transportation	\$ 11,261,900	0%	\$ -	\$ 11,261,900	\$ 136,312,700	\$ -	\$ 136,312,700
Other Appropriations	\$ -	0%	\$ -	\$ -	\$ 17,289,900	\$ -	\$ 17,289,900
Adjustment to Solid Waste Costs	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
Adjustment to 4% Fund Transfer	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 186,060,300		\$ 111,050,000	\$ 75,010,300	\$ 1,447,805,200	\$ 110,569,000	\$ 1,558,374,200

*Note: The \$481,000 of Law Enforcement Costs in the USD are a transfer to the GSD. As such, the cost of the \$481,000 in the USD would be removed, however, there would be no cost increase on the GSD Budget. The \$481,000 would be deducted from the GSD Revenues as the transfer would no longer be applicable

Expenses Moved from the USD to the GSD

Transfer and Adjustment of Non-Property Tax Revenues

Revenue Category	USD General Fund Revenues				GSD General Fund Revenues		
	FY 2025 Budget	% Transfer to GSD	\$ Transfer to GSD	Adjusted Budget	FY 2025 Budget	Transfers From USD*	Adjusted Budget
Local Option Sales Tax	\$ -	0%	\$ -	\$ -	\$ 263,791,800	\$ -	\$ 263,791,800
Other Taxes, Licenses, and Permits ⁽¹⁾	\$ 35,498,600	26%	\$ 9,273,800	\$ 26,224,800	\$ 177,050,900	\$ 9,273,800	\$ 186,324,700
Fines, Forfeits, and Penalties	\$ -	0%	\$ -	\$ -	\$ 4,543,000	\$ -	\$ 4,543,000
Revenues From Use of Money or Property	\$ -	0%	\$ -	\$ -	\$ -	\$ -	\$ -
Other Agencies - Federal Direct	\$ -	0%	\$ -	\$ -	\$ 1,066,000	\$ -	\$ 1,066,000
Other Agencies - Federal Through State	\$ -	0%	\$ -	\$ -	\$ 3,900,000	\$ -	\$ 3,900,000
Other Agencies - Other Pass - Through	\$ -	0%	\$ -	\$ -	\$ 10,225,800	\$ -	\$ 10,225,800
Other Agencies - State Direct	\$ 782,600	100%	\$ 782,600	\$ -	\$ 148,436,700	\$ 782,600	\$ 149,219,300
Other Agencies - Other Governments	\$ -	0%	\$ -	\$ -	\$ 22,246,000	\$ -	\$ 22,246,000
Commissions and Fees	\$ -	0%	\$ -	\$ -	\$ 18,045,200	\$ -	\$ 18,045,200
Charges for Current Services - Goods	\$ 200,000	100%	\$ 200,000	\$ -	\$ 1,372,800	\$ 200,000	\$ 1,572,800
Charges for Current Services - Services	\$ -	0%	\$ -	\$ -	\$ 32,187,700	\$ -	\$ 32,187,700
Charges for Current Services - User Fees	\$ -	0%	\$ -	\$ -	\$ 13,335,500	\$ -	\$ 13,335,500
Charges for Current Services - Other Services	\$ -	0%	\$ -	\$ -	\$ 588,300	\$ -	\$ 588,300
Compensation from Property	\$ -	0%	\$ -	\$ -	\$ 411,000	\$ -	\$ 411,000
Contributions and Gifts	\$ -	0%	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	\$ -	0%	\$ -	\$ -	\$ 682,400	\$ -	\$ 682,400
Operating Transfers In ⁽²⁾	\$ -	0%	\$ -	\$ -	\$ 25,139,400	\$ (481,000)	\$ 24,658,400
Non-Operating Transfers In	\$ -	0%	\$ -	\$ -	\$ -	\$ -	\$ -
Total Non-Property Tax Revenues	\$ 36,481,200		\$ 10,256,400	\$ 26,224,800	\$ 723,022,500	\$ 9,775,400	\$ 732,797,900

(1) Other Taxes, Licenses and Permits - Alcoholic Beverage Gross Receipts Taxes stay within each district.

(2) The \$481,000 of Law Enforcement Costs in the USD are a transfer to the GSD. As such, the cost of the \$481,000 in the USD would be removed, however, there would be no cost increase on the GSD Budget. The \$481,000 would be deducted from the GSD Revenues as the transfer would no longer be applicable.

Table 5 below shows the calculation of adjusted General Fund property tax rates based upon the transfers of revenues and expenses listed in Table 4

Table 5 – Calculation of Adjusted Property Tax Rates

General Fund Property Tax and Property Tax Revenue Calculation					
FY 2025 Budgeted Property Tax Revenues	USD General Fund	GSD General Fund	Reference Line	Description/Calc	
Property Taxes - Current Year	\$ 130,669,600	\$ 638,104,700	1	From Budget	
Property Tax Revenue Needs After Adjustments					
Total Expenses	\$ 75,010,300	\$ 1,558,374,200	2	Total From Adjusted Expenses - Table 4	
Less: Non-Current Year Property Taxes	\$ (18,909,500)	\$ (86,678,000)	3	From Budget	
Less: Non-Property Tax Revenues	\$ (26,224,800)	\$ (732,797,900)	4	Total From Adjusted Revenues - Table 4	
Budgeted Surplus/(Deficit)	\$ -	\$ -	5	From Budget	
Total Adjusted Property Tax Needs	\$ 29,876,000	\$ 738,898,300	6	Sum Line 2-5	
Percentage Change based on USD/GSD Revised Fund Allocations	-77.1%	15.8%	7	Line 6/Line 1 -1	
FY 2025 Budgeted Tax Rate	0.291	1.339	8	From Budget	
Adjusted Tax Rate after Transfers	0.067	1.551	9	Line 8 x (1+ Line 7)	

Table 6 below shows that the total cash flow for the USD and the GSD are the same before and after the transfers.

Table 6 – Summary of Cash Flows

	USD General Fund		GSD General Fund	
	FY 2025 Budget	Adjusted Budget	FY 2025 Budget	Adjusted Budget
Total Property Tax Revenues - Current Year	\$ 130,669,600	\$ 29,876,000	\$ 638,104,700	\$ 738,898,300
Total Property Tax - Non Current Year	\$ 18,909,500	\$ 18,909,500	\$ 86,678,000	\$ 86,678,000
Total Non-Property Tax Revenues	\$ 36,481,200	\$ 26,224,800	\$ 723,022,500	\$ 732,797,900
Total Expenses	\$ (186,060,300)	\$ (75,010,300)	\$ (1,447,805,200)	\$ (1,558,374,200)
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -

4. Conclusion, Observations and Next Steps

Conclusion - This Technical Memorandum concludes our analysis of the USD/GSD Financial Analysis of the scope of services for this project, with the exception of presenting/reviewing this Technical Memorandum to/with Metro staff.

Observations – Based on the findings and results of the USD/GSD Revenue and Expenses Analysis as defined in the Introduction, if Metro’s goal is cost recovery based on service delivery, a reallocation of expenses and revenues may be necessary. Presently it appears that costs and revenues are not allocated based on service delivery, rather certain functions such as Fire are allocated based upon a geographical boundary of stations and personnel. The allocations presented in this analysis would conform all costs and revenues to be allocated based upon service delivery.

Additionally, the reallocation presented herein allocates costs of services to the properties that receive benefit from those services and is a proper method for allocation of costs. However, the results of this reallocation of costs may seem counter intuitive on the surface because typically when costs are reallocated from one revenue source to another, the taxes will decrease in the first revenue source and increase in the second revenue source proportional to the transfer of costs.

However, in the case of the Metro USD and GSD districts, because properties in the USD pay both the USD and the GSD General Fund tax rates, they are currently paying 100% of the transferred costs in the combined taxes of the two districts (in the USD and GSD taxes), and they will be paying 100% of the transferred costs in the reallocation presented herein, just in the GSD tax only.

Using Fire as an example, when all Fire costs are reallocated from the USD to the GSD, the properties in the USD will still be paying 100% of the Fire costs, just only in the GSD tax (and no Fire costs in the USD tax). The impact to USD properties under this reallocation of costs is relatively small because the Fire costs that were in the USD (about 51% of the total Fire costs) and are moved to the GSD are spread over the total taxable property value base of the GSD, which is only about 31% higher than the total taxable property value in the USD.

Whereas for properties solely in the GSD that are not in the USD (that are currently only paying about 49% of Fire costs in the GSD tax), under the reallocation suggested in this analysis they will be paying their allocated share of 100% of the Fire costs, which causes an increase in their GSD tax compared to the current allocation.

Next Steps – This technical memorandum to be presented to the office of the Metro Finance Director for review and consideration. We would then request guidance from the Finance Director on how they would like us to proceed with the final stages of the study. This could entail further presentations to the administration or elected officials, deeper analysis into implementation timelines, and further study on potential districts such as Street Lighting and Fire pending available data.