

Budget Overview

Metro Government

As a consolidated government, Metro provides all services and performs all functions normally associated with Tennessee city and county governments. This also means that the government and its budget are more complex than those of most other cities and counties.

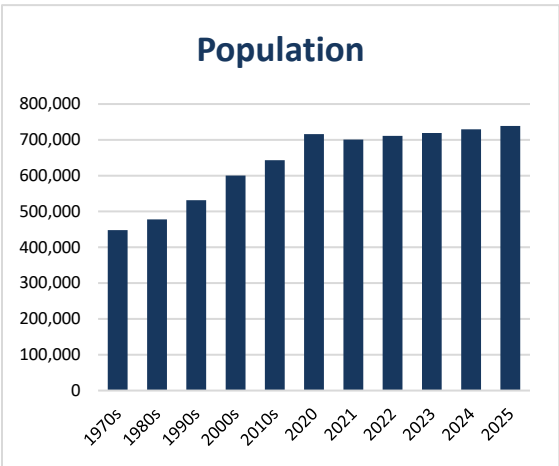
History: ([History of Metropolitan Nashville Government | Nashville.gov](#))



About Nashville – Our Community Profile

The city is a center for music, healthcare, hospitality, publishing, banking, and transportation industries. Frequently cited are the area’s low cost of living, a variety of residential opportunities, abundant recreational and tourist opportunities, a lively cultural base, diverse economy closely mirroring that of the nation, a regional hub for healthcare, and many institutions of higher education. Transportation is available by air, train, water, and road – 50% of the nation’s population lives within 650 miles via one of the three interstate highways (i.e., I-65, I-40, and I-24) that converge in the city. Although it has a diverse and balanced economy with manufacturing, transportation, education, financial, healthcare, and other services, Nashville may be best known as the home of country music – Music City USA.

Metro Nashville - Davidson County is home to many unique festivals and industries, and the city houses an impressive park system which has a replica of the Parthenon. For a complete listing of festivals, businesses, and industries, visit [Nashville Chamber of Commerce's website](#) or [VisitMusicCity's website](#).



Source: U.S. Census Bureau QuickFacts and Metro Planning

Racial and Age Composition	
White	66.6%
Black or African American	26.1%
Hispanic or Latino (of any race)	13.7%
Asian	3.8%
American Indian and Alaska Native	0.6%
Native Hawaiian and Other Pacific Islander	0.1%
Other or Two or More Races	2.8%
Under 5 Years	6.4%
6-18 Years	20.4%
19- 64 Years	59.9%
65 Years and over	13.3%

(Source: U.S. Census Bureau, 2024 QuickFacts)

Employment

Top Area Employers

(Excludes government agencies)

- Vanderbilt University Medical Center
- Nissan North America
- HCA Healthcare, Inc.
- Vanderbilt University
- Saint Thomas Health

Full list available at [Nashville Chamber](#).

Household Income	
Per capita income	\$48,394
Median Household income	\$75,664

(Source: U.S. Census Bureau, 2024 QuickFacts)

Unemployment Rate (%)

Year	Nashville	United States
2024	3.0	4.1
2023	2.7	3.6
2022	3.2	3.6
2021	3.5	4.0
2020	7.0	10.2
2019	2.7	3.7
2018	2.7	3.9

(Source: Bureau of Labor Statistics, November 2024)

Budget Overview

Cost of Living

The cost of living in Nashville is slightly higher than the national average, which can largely be attributed to its growing economy and population boom. Cost of living data is from [Best Places](#) and was collected in March 2024. There are nine categories include in cost-of-living data and displayed in the table below. When examining the data, keep in mind the national average equals 100 and each city’s index is shown as a percentage of the average of all cities.

Nashville Compared to Other Tennessee Cities

City	Overall	Grocery Items	Health	Housing	Utilities	Misc. Goods	Transportation	Median Home Cost
Franklin	139.4	106.6	99.0	214.4	97.3	110.8	100.9	\$784,100
Nashville	104.7	102	99.4	117.1	99.3	99.99	100.7	\$413,200
Gallatin	103.3	100.7	98.4	110.8	100.8	105.0	97.2	\$394,000
Hendersonville	103.3	102.2	98.4	125.9	98.9	105.4	100.3	\$463,000
Murfreesboro	100.6	99.7	9.0	106.8	98.7	103.7	98.9	\$381,700
Knoxville	91.8	97.2	97.5	88.2	95.6	100.8	81.8	\$314,700

Education

The Nashville region is defined by its well-educated population, low cost of living and doing business, and creative culture. Cultural diversity, unique neighborhoods, a variety of industries, and a thriving creative community make Middle Tennessee among the nation’s best locations for relocating, expanding, and startup companies.

Metro Nashville Public Schools (MNPS) stands as one of the nation’s largest school districts and among Nashville’s major employers. Whether you are seeking an excellent school for your children or a fulfilling career opportunity with top-notch benefits, MNPS offers a diverse range of programs and opportunities to meet your needs.

Metro Nashville Public Schools (MNPS)

Early Learning Centers	4
Elementary Schools	70
Middle Schools	31
High Schools	20
Exceptional Education Centers	3
Alternative Learning Centers	6
Charter Schools	26

(Source: [mnps.org](#) 2024-2025 Fact Sheet)



[www.mnps/about](#)

MNPS Highlights

11,391 Staff

Certificated	6,635
Support	4,756
Avg. Years of Service	13.3
Starting Salary with Bachelor’s Degree	\$52,048

(Source: [mnps.org](#) 2024-2025 Fact Sheet)

81,000+ Students

148 Countries of Origin

139 Languages Spoken

Black	37.70%
Hispanic	34.75%
White	23.35%
Asian	3.72%
American Indian or Alaska Native	.29%
Native Hawaiian or Pacific Islander	.19%

(Source: [mnps.org](#) 2024-2025 Fact Sheet)

Budget Overview

Services Districts

The Charter requires that Metro’s operating budget be divided into two districts: The General Services District (GSD) and the Urban Services District (USD). The GSD is synonymous with Davidson County; the USD comprises the old City of Nashville plus certain areas added since Metro was formed.

The geographic areas, purposes, and functions of these two districts determine the way services are budgeted and provided in Metro. The two districts relate services provided to taxes paid. GSD services are similarly provided across the whole county. The GSD tax rate covers these services. The USD receives additional services, which are funded by an additional USD tax rate.



General Service District	Urban Service District
525 Square Miles	199 Square Miles
210,172 people	528,396 people
General government, financial management, schools, justice administration, law enforcement and incarceration, fire and ambulance, regulation and inspection, social services, health, hospitals, libraries, public works, traffic control, recreation.	All GSD Services plus public services including trash and recycling collection and street lighting.

(Source: U.S. Census Bureau 2024 estimates and Metro Planning department)

Budget Overview

Departments and Their Budget Fund Types

Department	Dept. Number	GSD General Fund	USD General Fund	Special Revenue Fund(s)	Proprietary Fund(s)
Administrative	1	✓	✓	✓	
Agricultural Extension	35	✓			
Arts Commission	41	✓		✓	
Assessor of Property	16	✓			
Beer Board	34	✓			
Board of Fair Commissioners	62				✓
Circuit Court Clerk	23	✓			
Clerk and Master	25	✓			
Codes Administration	33	✓		✓	
Community Review Board	54	✓			
County Clerk	18	✓		✓	
Criminal Court Clerk	24	✓		✓	
Criminal Justice Planning	47	✓			
Department of Emergency Communications	91	✓			
DES - District Energy System	68				✓
District Attorney	19	✓		✓	
Election Commission	5	✓			
Farmers' Market	60			✓	✓
Finance	15	✓		✓	✓
Fire	32	✓		✓	
General Services	10	✓			✓
General Sessions Court	27	✓		✓	
Health	38	✓		✓	
Historical Commission	11	✓		✓	
Human Relations Commission	44	✓			
Human Resources	8	✓			
Information Technology Systems	14			✓	✓
Internal Audit	48	✓			
Justice Integration Services	29	✓			
Juvenile Court	26	✓		✓	
Juvenile Court Clerk	22	✓		✓	
Law	6	✓			
Mayor's Office	4	✓		✓	
Metro Action Commission	75			✓	
Metropolitan Clerk	3	✓			
Metropolitan Council	2	✓			
Metropolitan Nashville Public Schools	80	✓		✓	✓
Municipal Auditorium	61			✓	✓
Music City Center	71				✓
Nashville Department of Transportation	42	✓	✓	✓	
Office of Emergency Management	49	✓		✓	
Office of Family Safety	51	✓		✓	
Office of Homeless Services	53	✓		✓	
Parks	40	✓		✓	
Planning Commission	7	✓		✓	
Police	31	✓		✓	✓
Public Defender	21	✓			
Public Library	39	✓		✓	
Register of Deeds	9	✓		✓	
Sheriff	30	✓		✓	
Social Services	37	✓		✓	
Sports Authority	64	✓			✓
State Trial Courts	28	✓		✓	
Trustee	17	✓		✓	
Waste Services	72		✓	✓	
Water and Sewer	65			✓	✓

Budget Overview

Financial Organization

The budget is a financial planning and policy document, and it is organized according to Metro's financial accounting and coding structure. The coding structure – the chart of accounts – corresponds roughly to the government's administrative organization and service structure, while meeting the legal and accounting requirements of the government. It forms the basis for Metro budgeting, accounting, and financial reporting, and it is used in both the budget ordinance and this book.

The entire budget is organized by fund. Revenues of each fund are organized by type and source. Expenditures of each fund are organized by business units, object accounts, and positions.

The Fund Structure

A "fund" is an accounting entity with assets, liabilities, equities, revenues, and expenditures, held separate in the budget for certain specific activities or to accomplish definite objectives.

Tax Supported Budgetary Funds

Most of Metro's tax dollars are deposited into and spent out of six basic budgetary funds in the two districts (i.e., GSD and USD). The list below shows the names of these six funds with its fund number in parentheses.

- GSD General Fund (10101)
- GSD Debt Service Fund (20115)
- Schools (MNPS) General Purpose Fund (35131)
- Schools (MNPS) Debt Service Fund (25104)
- USD General Fund (18301)
- USD Debt Service Fund (28315)

These six budgetary funds provide the basic local government services to Davidson County. They are financed primarily through sales and property taxes, and their expenditures are controlled based on appropriations in the budget ordinance.

The two *General Funds* (i.e., 10101 and 18301) provide for the traditional operating services of the government. These funds receive property and sales taxes, charges for services, fees, fines, penalties, and other revenues.

The three *Debt Service Funds* (i.e., 20115, 25104, and 28315) finance the payment of interest and principal on long-term general obligation debt of each district. Per the Charter, debt service budgets must be sufficient each year to pay the principal and interest due on outstanding bonds.

The *School Fund* (i.e., 35131) is Metro's biggest special revenue fund. Special revenue funds are described more broadly later in this section. The School Fund receives a dedicated portion of the property tax and, by state law, a portion of the local option sales tax. This fund's expenditures are budgeted and controlled by the Metropolitan Board of Public Education (MBOE) for Metropolitan Nashville Public Schools (MNPS).

The two districts and six funds make it possible to allocate taxes and services in each district and fund. Revenue collected for each district can be spent only for purposes prescribed for that district. After the budget is passed, appropriations cannot be transferred between funds and/or districts except as specifically authorized in the budget ordinance.

Comparison of the FY2025 and FY2026 Budget Ordinances – Six Tax Supported Budgetary Funds				
	FY2025 Operating	FY2026 Operating	\$ Change	% Change
GSD General Fund	\$1,447,805,200	\$1,857,113,900	\$409,308,700	28.27%
GSD Debt Service Fund	258,290,600	304,561,400	\$46,270,800	17.91%
GSD School Fund	1,250,578,900	1,413,018,500	\$162,439,600	12.99%
GSD Schools Debt Service Fund	133,194,300	137,792,400	\$4,598,100	3.45%
USD General Fund	186,060,300	70,437,800	(\$115,622,500)	-62.14%
USD Debt Service Fund	19,415,700	16,940,900	(\$2,474,800)	-12.75%
Duplicated by Interfund Transfers	(17,959,800)	(188,900)	\$17,770,900	-98.95%
Total Budget	\$3,277,385,200	\$3,799,676,000	\$522,290,800	15.94%

Budget Overview

Summary of the FY2026 Budget – Six Tax Supported Budgetary Funds

Per Budget Ordinance								
	GSD General Fund	GSD Debt Service	GSD School Debt Svc	GSD School Fund	USD General Fund	USD Debt Service	Duplicated by Interfund Transfers	Total
Property Taxes	\$1,101,019,400	\$287,684,300	\$75,885,000	\$667,636,800	\$19,595,400	\$15,411,200	-	\$2,167,232,100
Local Option Sales Tax	269,478,300	-	60,281,900	407,671,100	-	-	-	\$737,431,300
Grants & Contributions	188,908,600	4,921,900	-	282,225,000	-	-	-	\$476,055,500
All Other Revenues	297,707,600	11,955,200	1,625,500	55,485,600	31,857,500	-	(188,900)	\$398,442,500
Reserves	-	-	-	-	-	-	-	-
Fund Balance Appropriation	-	-	-	-	18,984,900	1,529,700	-	20,514,600
Total Revenues	\$1,857,113,900	\$304,561,400	\$137,792,400	\$1,413,018,500	\$70,437,800	\$16,940,900	(\$188,900)	\$3,799,676,000
General Government								
General Government	382,536,500	-	-	-	3,724,000	-	-	386,977,900
Fiscal Administration	43,606,000	-	-	-	-	-	-	43,606,000
Public Safety								
Administration of Justice	114,714,300	-	-	-	-	-	-	114,552,300
Law Enforcement & Jails	457,591,100	-	-	-	-	-	0	457,478,700
Fire Prevention & Control	228,109,000	-	-	-	-	-	-	228,109,000
Other								
Regulation & Inspection	62,433,800	-	-	-	3,664,700	-	-	66,098,500
Health & Social Services								
Social Services	21,327,100	-	-	-	-	-	-	21,052,100
Health & Hospitals	161,811,700	-	-	-	-	-	-	161,561,700
Recreation & Culture								
Public Libraries	48,803,800	-	-	-	-	-	-	48,653,800
Recreational & Cultural	110,081,600	-	-	-	-	-	(188,900)	109,699,700
Infrastructure & Transportation	143,203,300	-	-	-	60,339,900	-	-	203,543,200
Education	-	-	-	1,382,578,900	-	-	-	1,382,578,900
Debt Service	-	286,917,300	133,694,300	-	-	16,282,700	-	436,894,300
Other Appropriations - Education	-	-	-	-	-	-	0	-
Fund Balance Restoration	47,836,900	11,903,400	1,425,600	\$2,901,100	\$0	-	-	64,067,000
Fund Balance Sustainability	35,483,800	5,740,700	2,672,500	\$27,538,500	\$2,709,200	658,200	-	74,802,900
Total Expenditures	\$1,857,113,900	\$304,561,400	\$137,792,400	\$1,413,018,500	\$70,437,800	\$16,940,900	(\$188,900)	\$3,799,676,000
Projected Surplus (Deficit)	-	-	-	-	-	-	-	-

Budget Overview

Special Purpose Funds

Metro uses other types of funds for special purposes. Non-tax supported budgetary fund expenditures are limited to revenues received by each fund and balances held in each fund, rather than appropriations. Monies in these funds generally cannot be used to support other funds. These non-tax supported budgetary funds are explained below.

Internal Service Funds provide services to Metro departments on a cost reimbursement basis.

Enterprise Funds provide services to the public on a cost reimbursement basis. The primary enterprise funds are the Farmers' Market, Board of Fair Commissioners, Municipal Auditorium, and Water Services funds.

Capital Projects Funds account for costs related to capital projects. These are not generally included in the operating budget.

Permanent Funds and *Fiduciary Funds* account for monies held for others. These are not generally included in the operating budget.

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted for expenditure for specified purposes. These include the Schools Fund (mentioned above), Waste Services, grants, and the General Fund Reserve Fund, which is typically called the Four Percent Reserve Fund.

Accounting & Budgeting

This budget conforms to guidelines of the Charter and standard municipal budgetary practices, while the year-end *Annual Financial Report* conforms to governmental Generally Accepted Accounting Principles (GAAP). Due to these varying guidelines, the budget and the Annual Financial Report are not strictly comparable to each other. Specifically:

- This budget recognizes that Metro operates in two general funds, as required by the Charter and Tennessee law. Governmental GAAP recognizes only one general fund per government.
- This budget treats transfers to and from any fund as revenues and expenditures, respectively, of that fund. Governmental GAAP classifies them as "Other Sources & Uses of Funds."
- This budget does not include certain "component units" that are required to be included in the Annual Financial Report.

Financial Policies

The budget is governed by policies set out in the Charter and by executive decision. These policies are enforced by the Department of Finance through ongoing processes, internal control systems, special analyses, and the annual independent audit. A full list of Financial Policies can be found on the [Supplemental Budget Resources \(Citizens' Guide to the Budget\)](#) site.

Operating Budget Policies

- The operating budget process must begin no later than March 1. All relevant departments, boards, commissions, and agencies must provide information as requested by the Finance Director for the budget's preparation. The Office of Management and Budget (OMB), overseen by the Finance Director, coordinates most of the budget preparation. Once the budget is prepared, the Finance Director submits the proposed budget to the Mayor for review and necessary changes before submitting it to Council (Charter §6.02).
- The Mayor submits the recommended operating budget to Council as an ordinance, along with a transmittal message, by May 1st. Upon receiving it, the council reviews the budget through three readings. Between the first and third readings, the Council Budget and Finance Committee holds a series of public departmental hearings, and the Council holds a hearing mandated by the Charter for public comments (§6.05).
- The Council approves, amends, or substitutes the Mayor's budget. Revenue estimates cannot be altered except to rectify errors. A balanced budget must be approved by midnight on June 30th, or the Mayor's budget and proposed tax rate automatically take effect (§6.06)

Capital Improvement Budget Policies

- The Planning Commission must begin preparing a Capital Improvement Budget (CIB) no later than March 1st. The CIB comprises a program of proposed capital expenditures for the upcoming fiscal year and the subsequent five fiscal years. Accompanying the CIB is the Planning Commission's report and recommendations for the program. The Planning Commission provides the CIB to the Mayor for review and necessary changes before submitting it to the Council.

Budget Overview

- The Mayor must submit the CIB to Council by May 15th. As part of this submission, the Mayor recommends projects for the upcoming fiscal year and the method of financing CIB projects. Projects to be financed from current revenues for the ensuing fiscal year are included in the appropriate current operating budget.
- The Council must approve, amend, or reject the proposed CIB and means of financing by June 15th. (§6.13).

GSD General Fund Reserve Policies

- The GSD General Fund Reserve is also known as the Four Percent Reserve Fund.
- Four percent of original revenues is allocated to the Four Percent Reserve Fund. The Mayor and Council have the authority to appropriate funds from this reserve through resolution for equipment purchases in departments funded by the general fund budget. (§6.14).
- The Four Percent Reserve Fund will maintain a minimum fund balance of \$1,000,000: \$500,000 by Administration policy and an additional \$500,000 by Council policy.
- The Council has not exercised its ability to create a contingent reserve fund not to exceed four percent of the general fund revenue of the USD (§6.14).

Additional Financial Policies

- The fiscal year begins on July 1st and ends on the following June 30th. (§6.01) Each fiscal year can be referenced in two ways: by using both years (e.g., "2025-2026") or by the calendar year in which the fiscal year ends (e.g., "FY2026" for 2025-2026).
- The operating budget ordinance is organized by district, fund, and account number. Each fund's budget must be balanced: estimated revenues plus estimated fund balances must cover all budgeted expenditures (§6.03).
- The budget ordinance contains annually budgeted governmental operating funds, debt service funds, enterprise funds, internal service funds, and special revenue and other grant funds with fiscal years beginning July 1st. It does not include grant funds with non-Metro fiscal years, capital projects, bond funds, fiduciary funds, permanent funds, component unit funds (unless the component unit receives significant general fund money), and other funds with multi-year budgets. The budgets of funds that are not included in the annual operating budget are approved through other processes as required by law.
- Operating costs will be covered by current operating revenues, while long-term debt will only finance capital goods as permitted by the Charter. The government will refrain from using nonrecurring revenue to support ongoing operations of the three operating funds. Nonrecurring revenue, including transfers from special, enterprise, and internal service funds, will be allocated for activities that do not require continuous funding or to build reserves. To safeguard the government's financial standing against unexpected emergencies or revenue downturns, fund balances will not be appropriated unless the audited unreserved undesignated fund balances are at least 5% of the fund's budgeted expenditures (Resolution R89-959 adopted on 11/21/1991).
- Departments cannot exceed their budget allocations. The amount designated in the adopted operating budget for each organizational unit, purpose, or activity constitutes the annual appropriation for that item. No expenditure or encumbrance will be permitted beyond the unencumbered balance of the respective appropriation or allotment (§6.06).
- All annually budgeted funds are budgeted using the current financial resources measurement focus and the modified accrual basis of accounting.
- Accounting and financial reporting will adhere to generally accepted accounting principles (GAAP) for governments as established by the Governmental Accounting Standards Board (GASB), the federal Office of Management and Budget, the Federal Comptroller General, and the State of Tennessee.
- The Council ensures an annual independent audit of all government accounts and financial transactions, including those of departments, boards, commissions, and agencies. This audit is conducted by a certified public accountant (CPA) or a CPA firm with expertise in governmental accounting. A three-member audit board, comprising the presiding officer of the Council, the chairman of the finance committee of the Council, and the chairman of the board of education, selects the auditor. The audit report is made available to the public and the press. Additionally, the Council reserves the right to order special audits or examinations of any government entity at any time (§6.15).

Budget Overview

- The Fund Balance Reserve policy establishes a minimum target of 17% for each governmental operating fund, equivalent to approximately two months of Metro's operating expenditures. Additionally, the policy establishes a Budget Sustainability Reserve to be used to stabilize the budget in times of economic downturn. This reserve has a minimum target of 3% of the budgeted operating expenditures and budgeted debt services but can be increased to as much as 6% if determined necessary by the Finance Director. Finally, the policy sets a minimum target of 50% of the budgeted debt service, or a higher amount if necessary to avoid issuing tax anticipation notes. The policy outlines the circumstances under which the Fund Balance Reserves can be utilized. For instance, the operating reserve may be accessed during the budget process in the event of an economic downturn. Both the operating reserves and debt service reserves could be utilized to address unusual, unanticipated, and unforeseen expenditures or revenue declines, but only after exhausting all other reserves or budgeted contingencies (§ 5.04.160).

Long-Term Financial Planning

As the local economy continues to return to a more normal growth rate, Metro keeps its attention on several factors that could affect long-term growth. Impacts from inflation and market volatility create uncertainty in anticipated growth. The threat of cancelled Federal grants, and the continued phase-out of COVID-era funding initiatives weigh heavily on planning decisions. Regarding long-term planning, the administration stays committed to maintaining and continuing to improve the overall financial position of the government. Future budgets will continue to be balanced, meet debt service and contractual obligations and fund Schools at or above state required levels.

The keystone to any sound long-term financial plan is providing mechanisms that allow officials the ability to anticipate and plan for future fluctuations in revenues and expenses. As part of the annual budget development process, all Metro departments are asked to document:

- Future investment requests, not only for the next fiscal year, but also for the two fiscal years following. If possible, future FTE needs associated with these requests are included.
- Future revenue estimates for the next three years.
- Any long-term operational needs related to future capital investments.
-

Metro combines this data with known trends in spending, contractual obligations, debt service, and revenue projections to create models that show the possible long-term impacts on tax rate and fund balance. This type of modeling helps Metro stay aware of over-the-horizon impacts from changes to current and future budgeting decisions.

To ensure financial stability in the case of any future economic uncertainty, Metro has strengthened its fund balance policy.

The Unrestricted Fund Balance Reserve (referred to as the Operating Reserve) is calculated to be a minimum of 17% of each fund. This is approximately the equivalent of two months of Metro's budgeted operating expenditures. It may only be used to address unusual, unanticipated, and unforeseen expenses or unanticipated/unexpected revenue declines after all other reserves or budgeted contingency funds have been exhausted.

In the event of an economic downturn, the Budget Sustainability Reserve – which is calculated to be 3% of Budgeted Operating Expenditures and Budgeted Debt Service of each respective fund - is designated for use as Bridge Funding necessary to offset revenue declines during a recession. For purposes of this policy, anticipated declines in Local Revenue Sources shall guide the Metropolitan Council's assessment in using the Budget Sustainability Reserve when, during the budget process, it is projected that Local Revenue Sources in the next fiscal year's budget will decline.

These Fund Balance Reserve Policies signal to the citizens of the community, the rating agencies, and the capital markets that the Metropolitan Government is well-managed, is able to meet its obligations in a timely manner, and has the resources necessary to accommodate unforeseen circumstances.

The mayor's priorities have a significant impact on the operating budget process as improvements are chosen for the ability to positively impact outcomes for residents in these areas. Concurrently with the budget process, the Office of Performance Management (OPM) develops, measures, and reports the results of its daily operations to guide and improve programming using performance data. These efforts strengthen transparency and accountability within Metro as well as setting service level expectations to the public. These initiatives build the foundation for both current and long-term operational and financial planning and management.

