

Schools

Services

Safety

# FINANCIAL UPDATE AND FY2027 RECOMMENDED BUDGET

JENNEEN REED, DIRECTOR OF FINANCE

AARON PRATT, BUDGET OFFICER

● Wednesday, May 6, 2026



# Agenda

- Key Financial Considerations
- FY2026 Budget Recap
- FY2027 Recommended Budget
- FY2027 Calendar and Legislation



# METRO'S FINANCIAL CONDITION ASSESSMENT: KEY FINANCIAL CONSIDERATIONS

**Clean  
Audit**

**Fund  
Balance**

**Ratings**

**Structurally  
Balanced  
Budget**

**Economy**



# ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR)

- The **ACFR** presents Metro's financial activities and balances for each fiscal year (July 1 to June 30)
- Financial statements resulted in a **Clean Audit**
  - Unmodified opinion
  - No material weaknesses



# Fund Balance Policy – RS2025-1139

## Reserve Targets

- Operating Reserve – GSD Fund, USD Fund and General Purpose School Fund
  - **Targeted at 17%** of budgeted operating expenditures
- Debt Service Reserve – GSD, USD, and GSD School Purposes Debt Service Funds
  - **Target of 50%** of budgeted debt service expenditures
- Budget Sustainability Reserve
  - **Target of 1% up to a maximum of 6%**
  - Established by the Director of Finance with each budget ordinance

## Responsible Use of Reserves & Fiscal Accountability

- Reserves can only be used in specific, justified situations, such as economic downturns, revenue shortfalls, and emergencies.
- Any withdrawals below minimum targets require Council approval and a replenishment plan.



# Fund Balance Policy – RS2025-1139

- Strengthens financial stability & resilience.
- The Fund Balance Reserve Policy reinforces Metro’s long-term financial stability.
- Establishes clear reserve targets, ensures Metro can weather economic downturns and unforeseen fiscal challenges service cuts.
- Aligns with Best Practices & Credit Ratings.
- The Government Finance Officers Association (GFOA) recommends fund balance policies as a best practice for responsible governance.
- Maintaining strong reserves:
  - Reduced borrowing costs and saves Metro money
  - Earns revenue through interest on reserves



# RATINGS

- Metro's bond ratings were reaffirmed in February 2026
  - Moody's: Aa2
  - S&P: AA+
  - KBRA: AA+



# 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 LOCAL ECONOMY

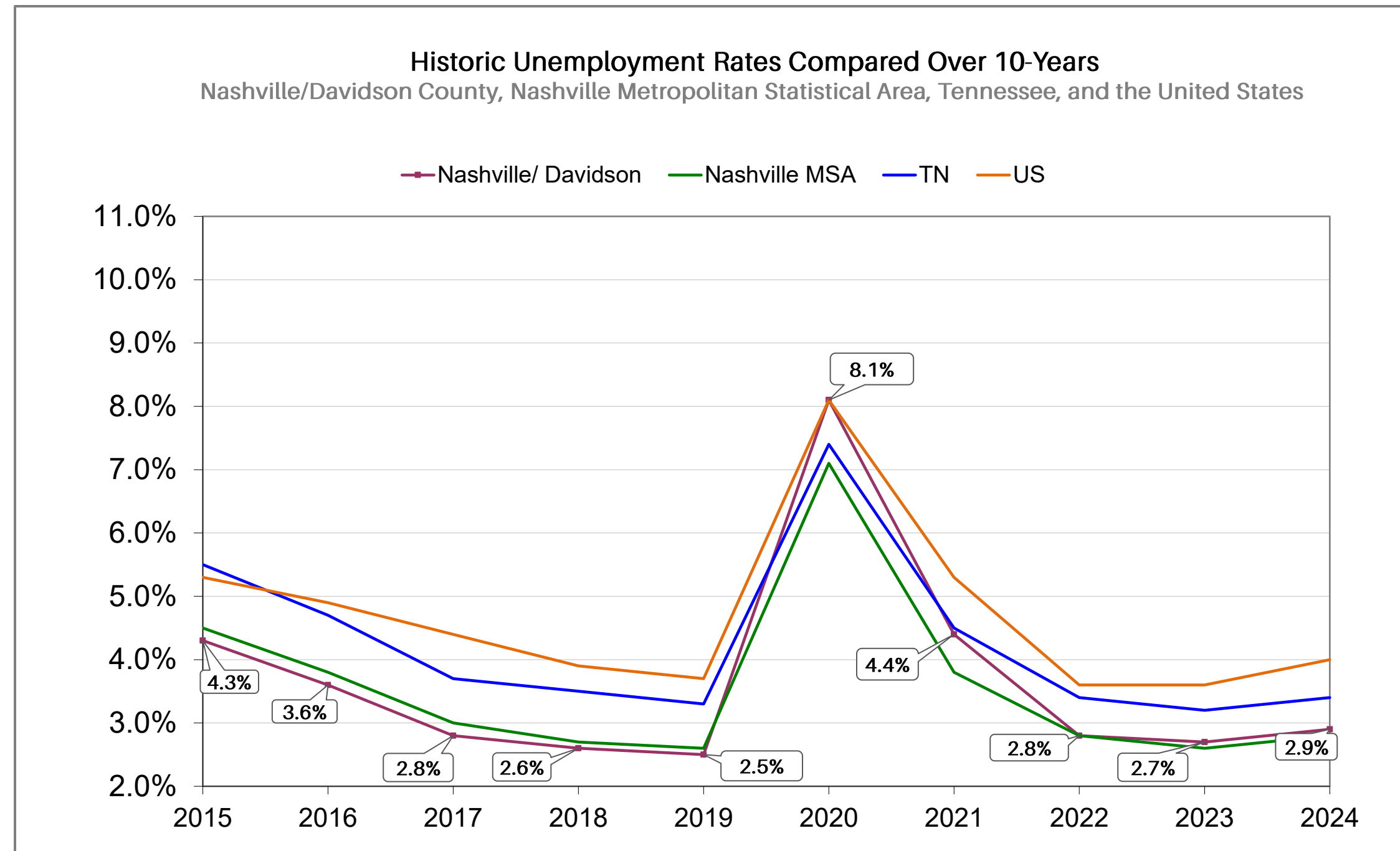
- Unemployment Rate
- Rising Per Capita Income
- Diverse Economy



# Current Unemployment Rate



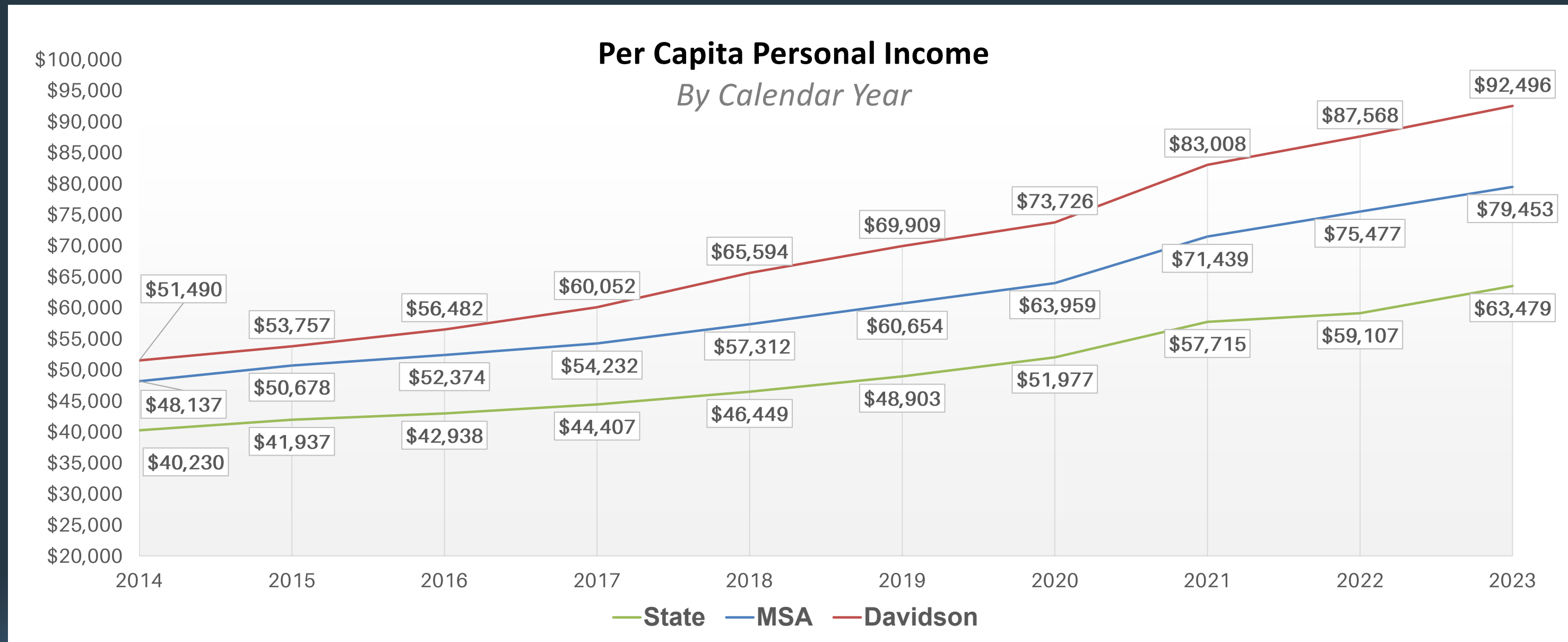
In 2024, the annual unemployment rate for Davidson County was 2.9%, compared to 3.4% for Tennessee and 4.0% for the United States. As of November 2025, the preliminary unemployment rate is 3.1% for both Davidson County 3.1% and the Metropolitan Statistical Area.



Source: Bureau of Economic Analysis (bea.gov).  
Nashville/Davidson County data points have been labeled for ease of review.

# RISING PER CAPITA INCOME

As of 2023, the per capita income in Davidson County is \$92,496, and \$79,453 in the Metropolitan Statistical Area (MSA).

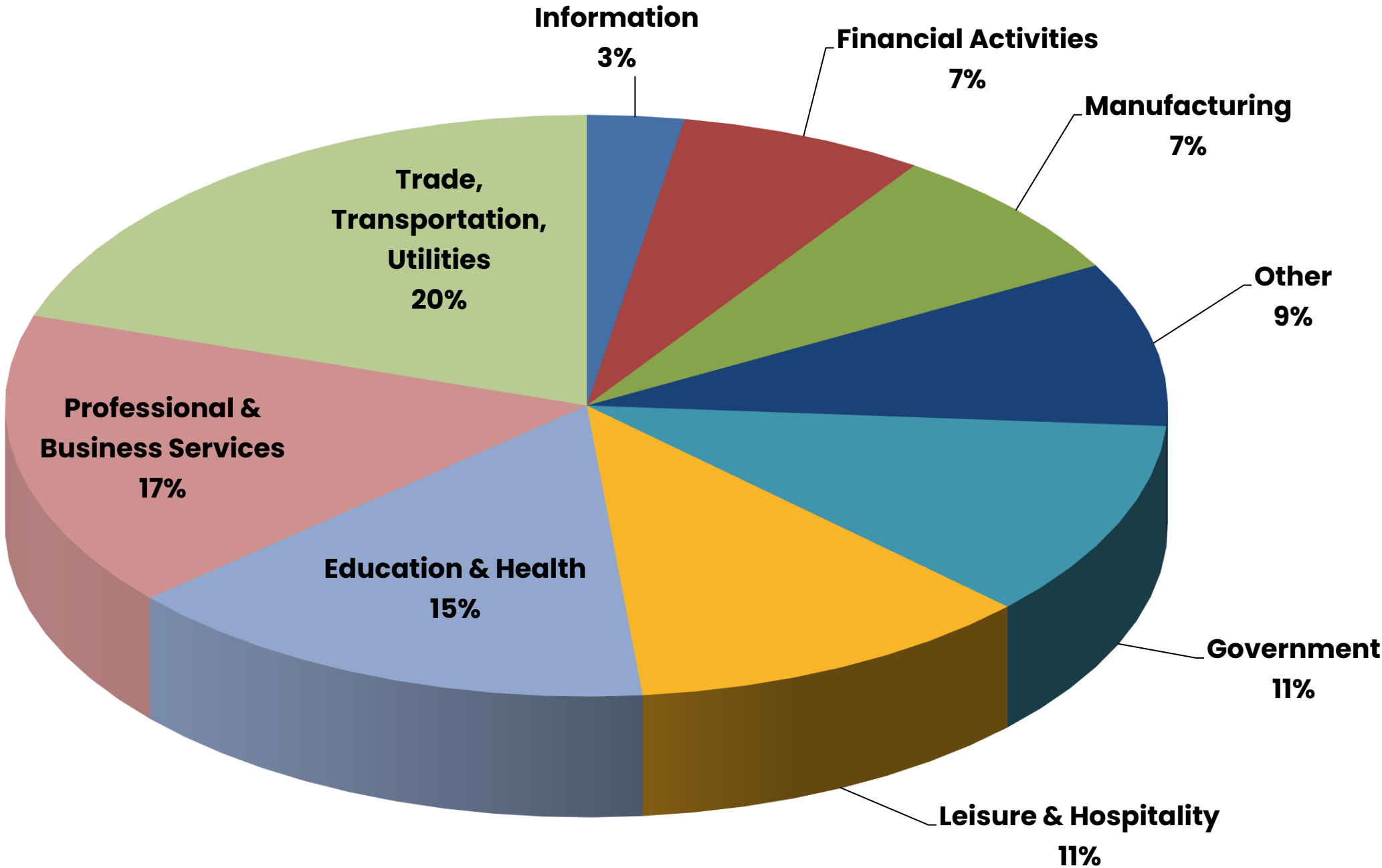


Source: Bureau of Economic Analysis (bea.gov)



# Varied Industry Mix

The local economy is a well-balanced blend of financial, wholesale, retail, manufacturing, and service industries and has the highest concentration of the music industry in America. Computer technology, automotive, healthcare, insurance, banking, publishing, telecommunications, supply chain management, entertainment companies, and private educational institutions all find a home in Nashville.



Source: Bureau of Labor Statistics, 2024

# ECONOMY

- Nashville's economy is returning to a more normalized growth trend.
- We are in the second year of our three-year property tax reappraisal cycle; therefore, property tax revenue growth is minimal.
- Projected revenue growth is flat year-over-year.



# ECONOMY (CONT'D)

- Closely monitoring emerging economic and geopolitical trends. Risks include:
  - Federal policy changes
  - Tariffs on goods and supplies
  - Inflationary pressures
  - Uncertainty in federal programs and grants
  - National market volatility
  - Federal stimulus funding eliminated (ARPA)





**METRO FINANCE**

# **FY2026 BUDGET RECAP**



# FY2026 Operating Budget Recap Tax Supported Funds

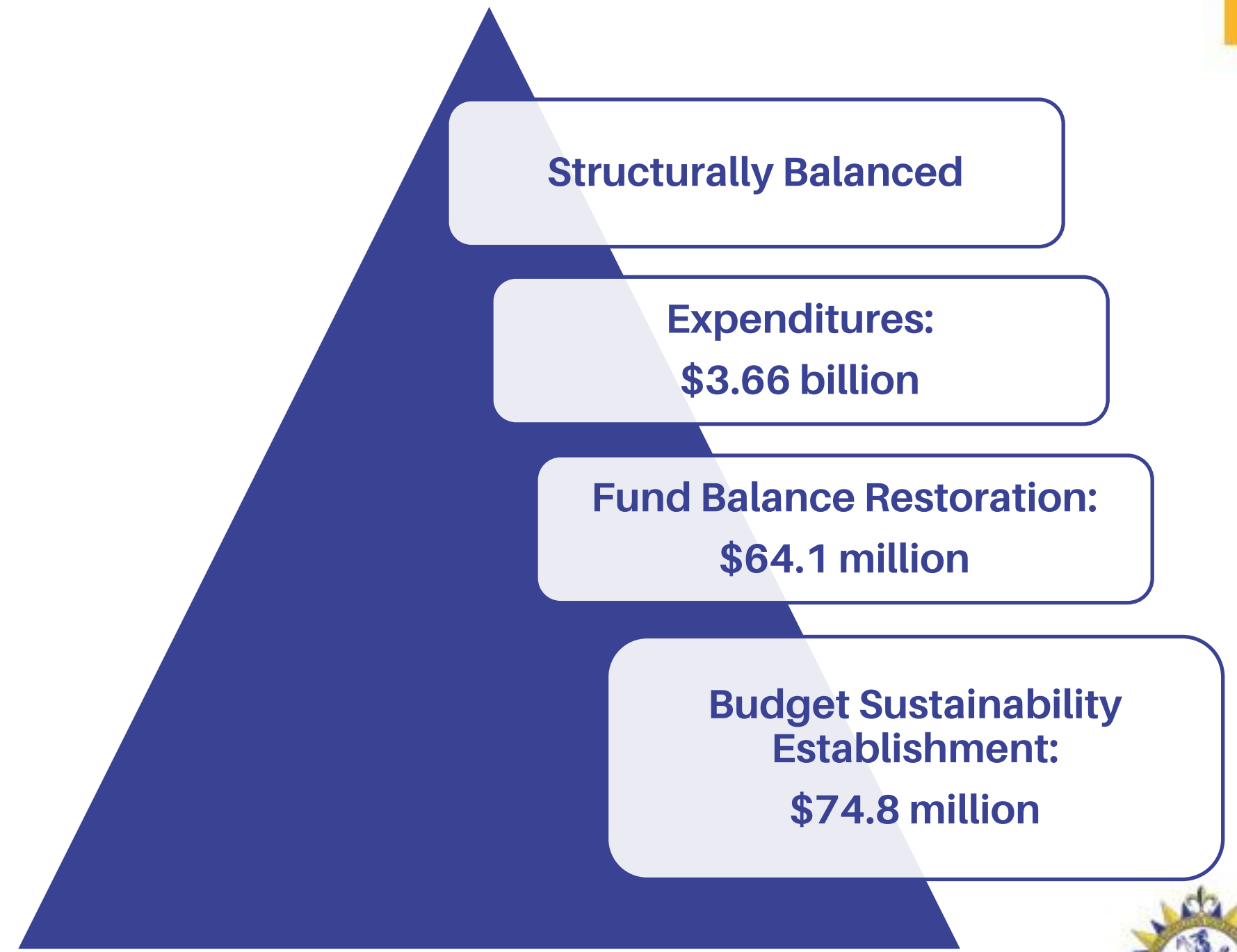
FY2026 operating budget:  
\$3,799,676,000

15.6% increase over FY 2025\*

\$529MM total increase

- \$20MM use of fund balance
- \$509MM new revenue

*\*Increase is reflective of transfers in both years.*



# FY2026 Budget Revenue Recap

**Property Taxes - 28.7% - \$483.6MM**

**Local Option Sales Tax (LOST) - 2.2% - \$15.6MM**

**Other Government Agencies - 0.1% - \$0.6MM**

**All Other - 2.4% - \$9.4MM**

**FY2026 Revenue Projection = 99.82% of total budgeted revenues**

**Conclusion:** FY2026 Budget Growth Rate for all Revenue Sources Other than Property Tax was 1.6% or \$25.6MM. This drove the need for property tax revenue to increase to avoid reducing resources to schools, safety, and services.





METRO FINANCE

# FY2027 RECOMMENDED BUDGET



# FY2027 Recommended Budget Considerations

## REVENUE ENVIRONMENT

- YTD growth slowing
- Population growth returning to normal
- Economic volatility
- Unstable interest rate environment
- Tourism's reliance on discretionary income

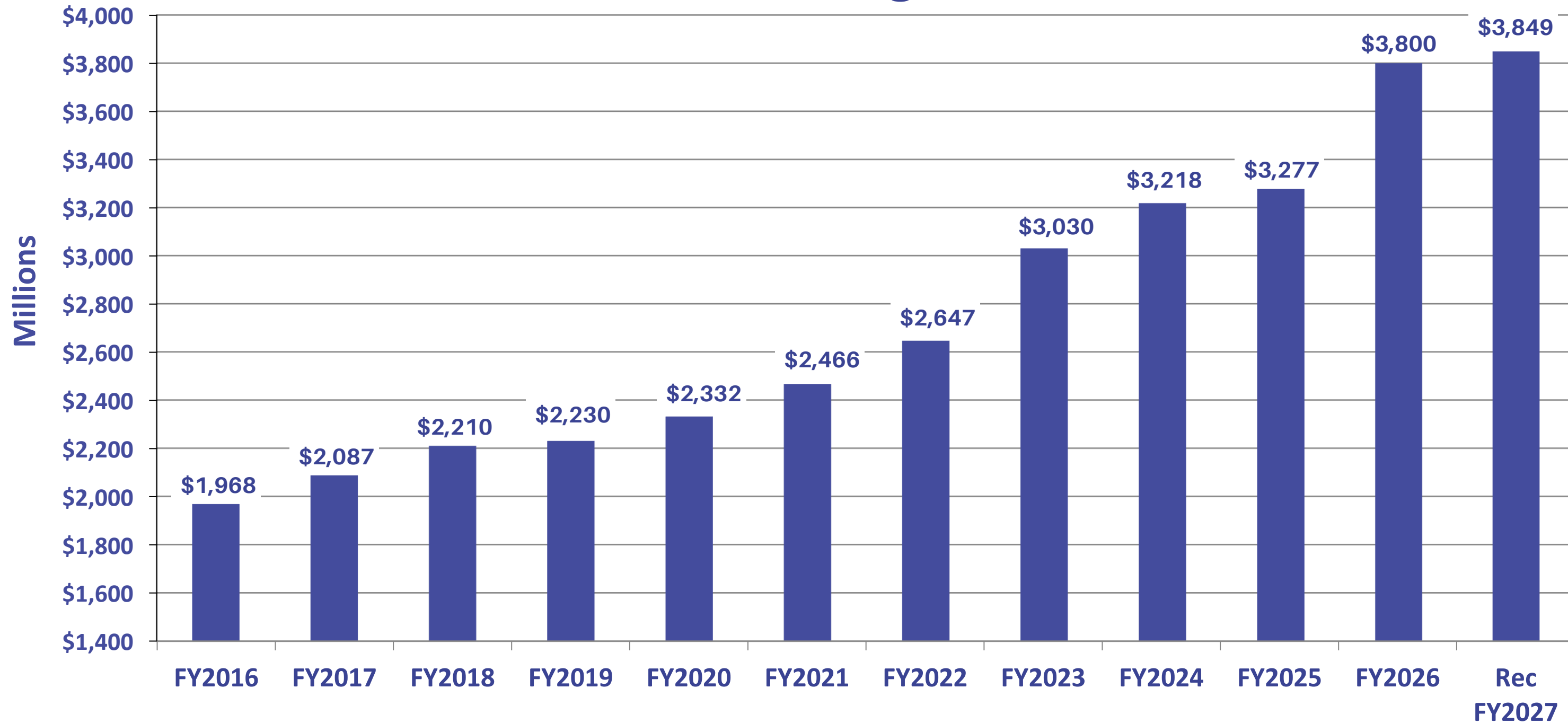
## EXPENDITURE ENVIRONMENT

- Debt service increase
- Contractual increases
- One-time extraordinary expenditures
- Inflationary increases
- Pay Plan modifications



# FY 2027 Recommended Operating Budget Tax Supported Funds

## Historical Budget Growth



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



# FY2027 Recommended Budget

## Summary of Proposed Budget – All Funds

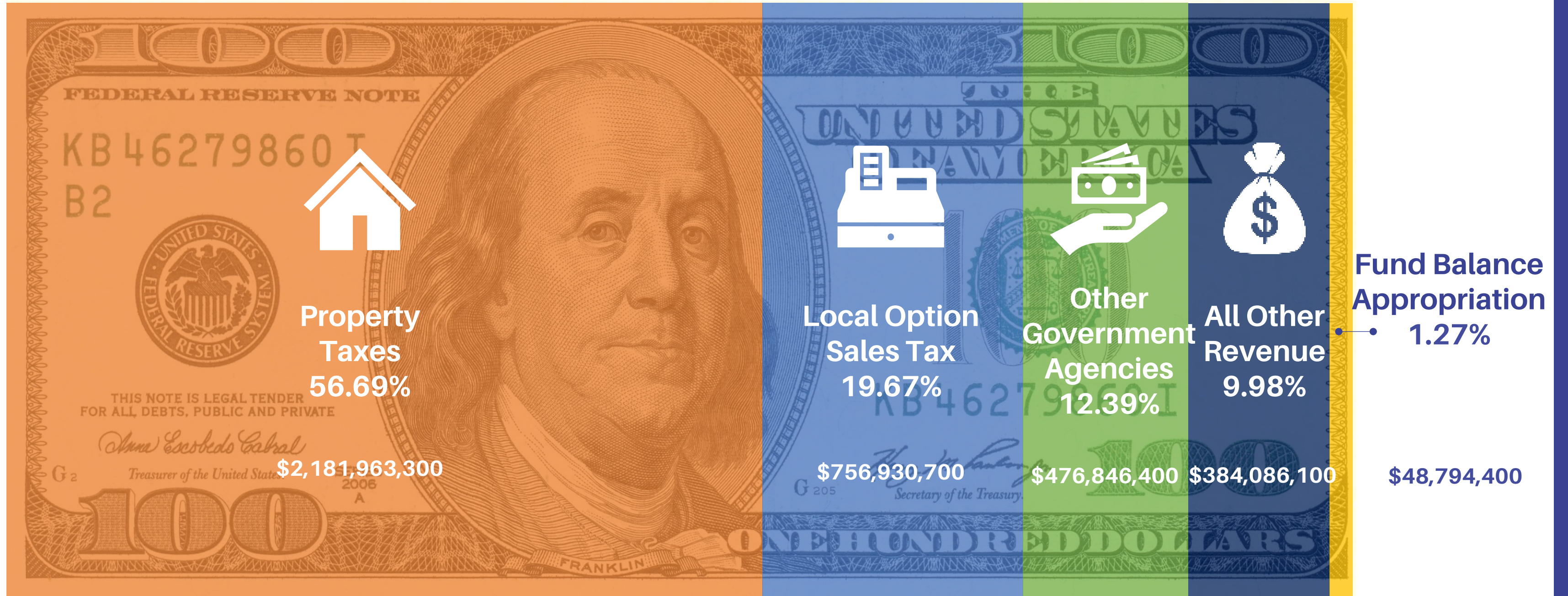
Funds	2026 Current Budget	2027 Recommended
General Operating**	\$1,927,551,700	\$1,959,073,100
MNPS Operating**	1,413,018,500	1,448,228,500
Tax Supported Debt Service**	459,294,700	441,319,300
Special Revenue	1,132,929,700	1,200,429,100
Internal Service	111,403,700	123,727,900
Enterprise	113,514,100	131,291,100
Water & Sewer	955,586,000	961,098,000
<b>Total*</b>	<b>\$6,113,298,400</b>	<b>\$6,265,167,000</b>

\*includes all transfers between funds.

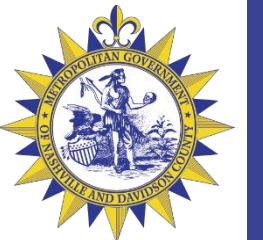
\*\*includes fund balance restoration/usage and budget sustainability establishment.



# Where does the Money Come From?



*Tax supported funds*



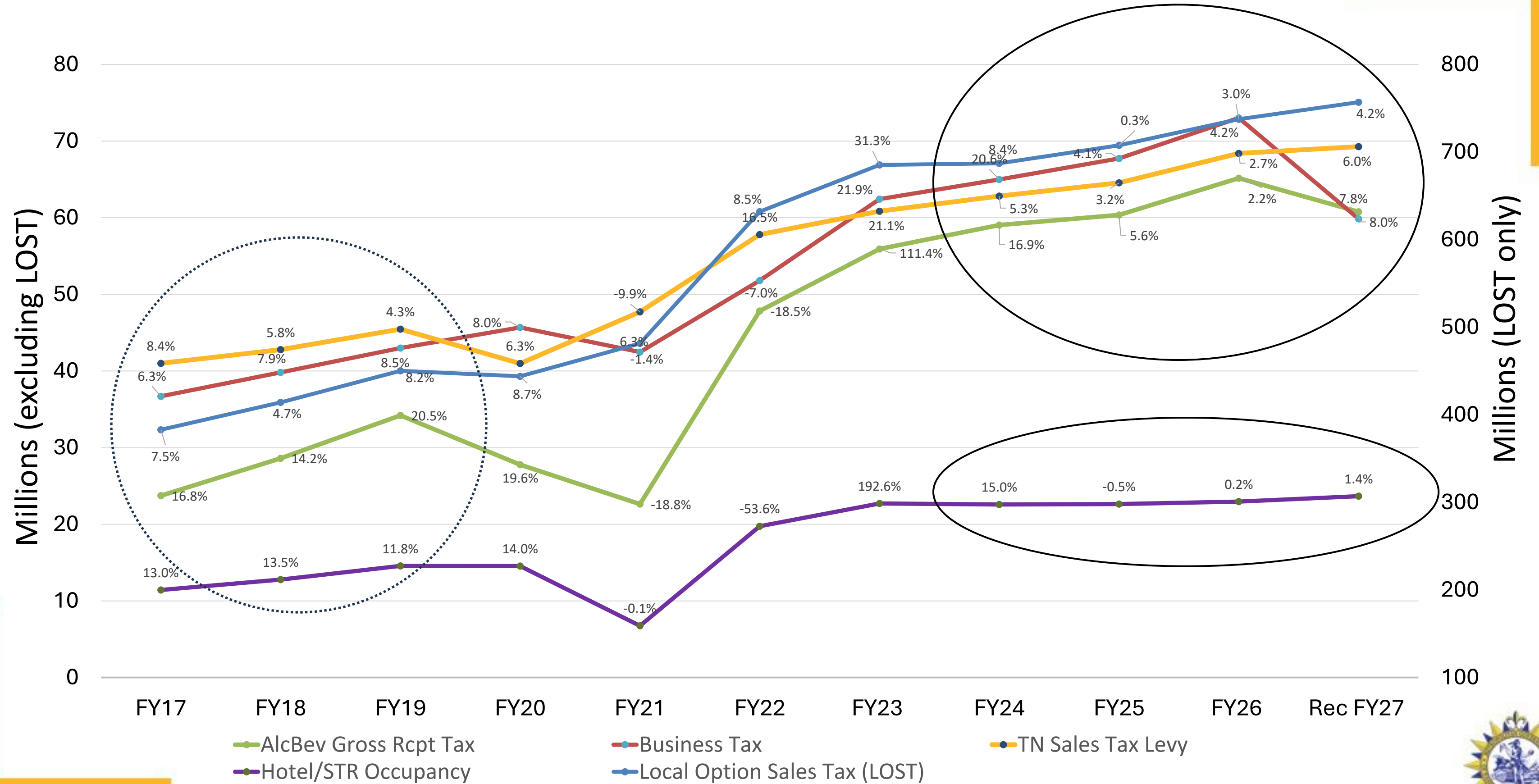
# FY2027 Revenue Detail Year-Over-Year

- Property tax revenue growth: \$14.7 million, 0.68%
- Local Option Sales Tax (LOST) growth:
  - Gross growth: \$28.7MM, 3.89%
  - \*Grocery tax rate half-penny reduction: (\$9.2MM)
  - Net growth: \$19.5MM, 2.64%
- Other government agencies growth: \$791K, 0.17%
- All other revenue decrease: (\$14.3MM, 3.6%)

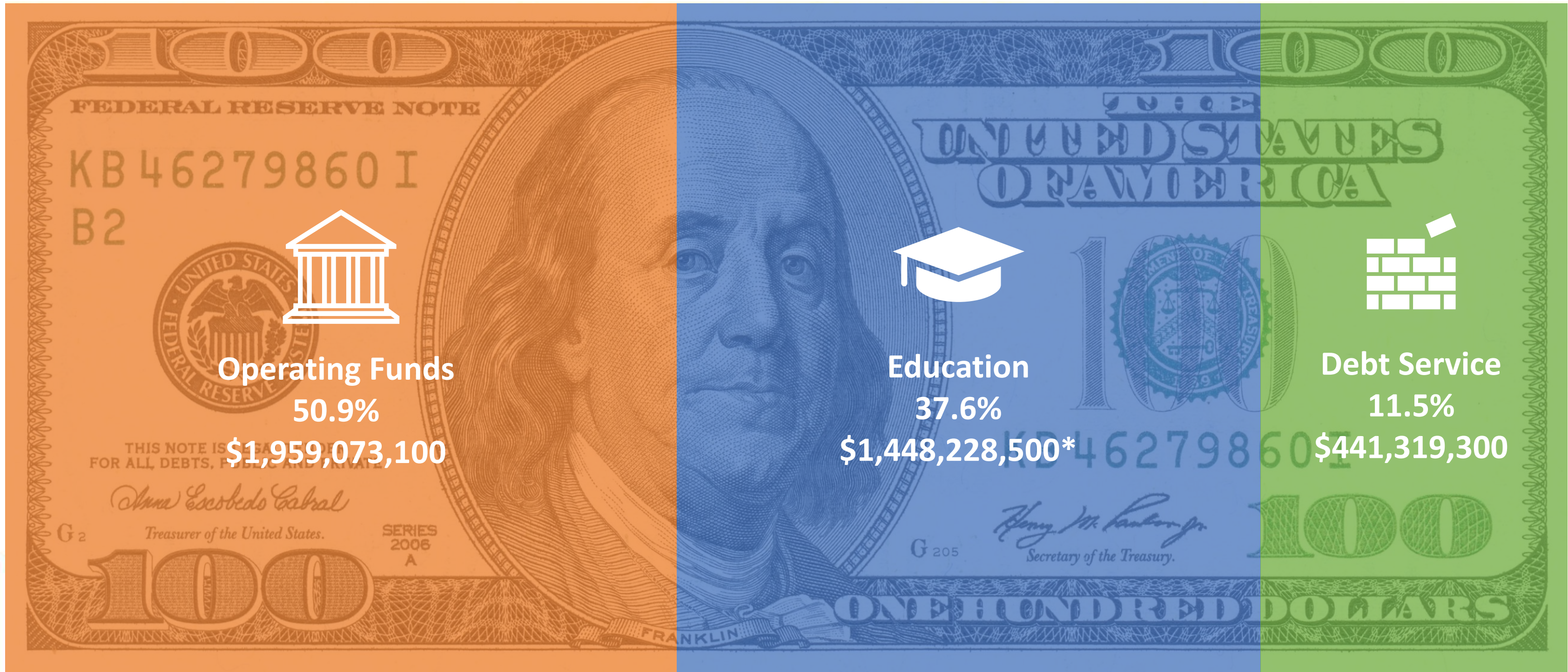
*\*FY27 recommended budget represents 10 months of grocery tax reduction. 12-month reduction amount is \$11.7MM.*



# Revenue Trends



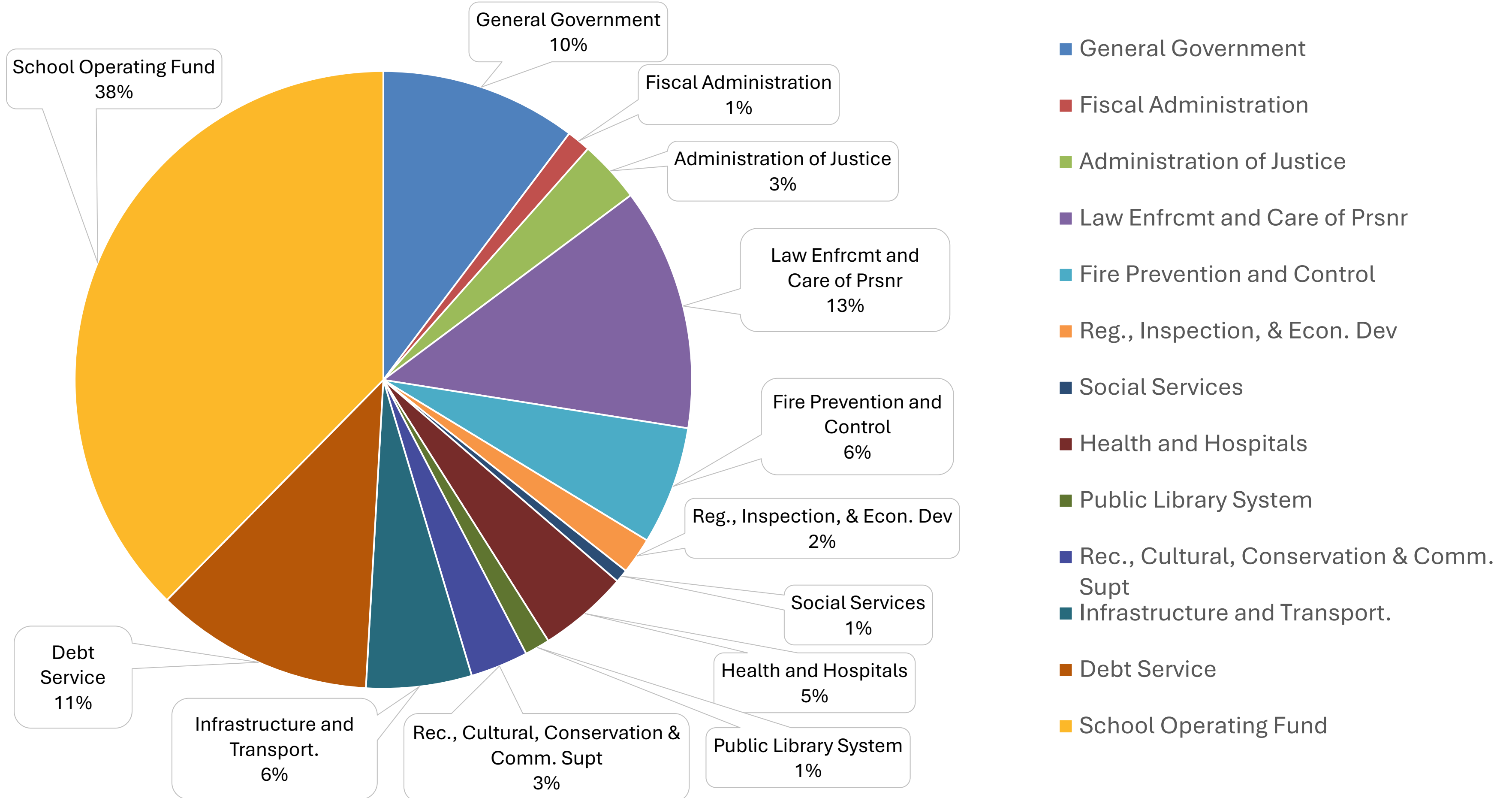
# Where does the Money Go?



\* Amounts include fund balance restoration.



# Expenditure by Category (Tax Supported Funds)



# FY2027 Recommended Budget Pay Plan

Employees  
**\$36.8M**

1.7% Across  
the Board

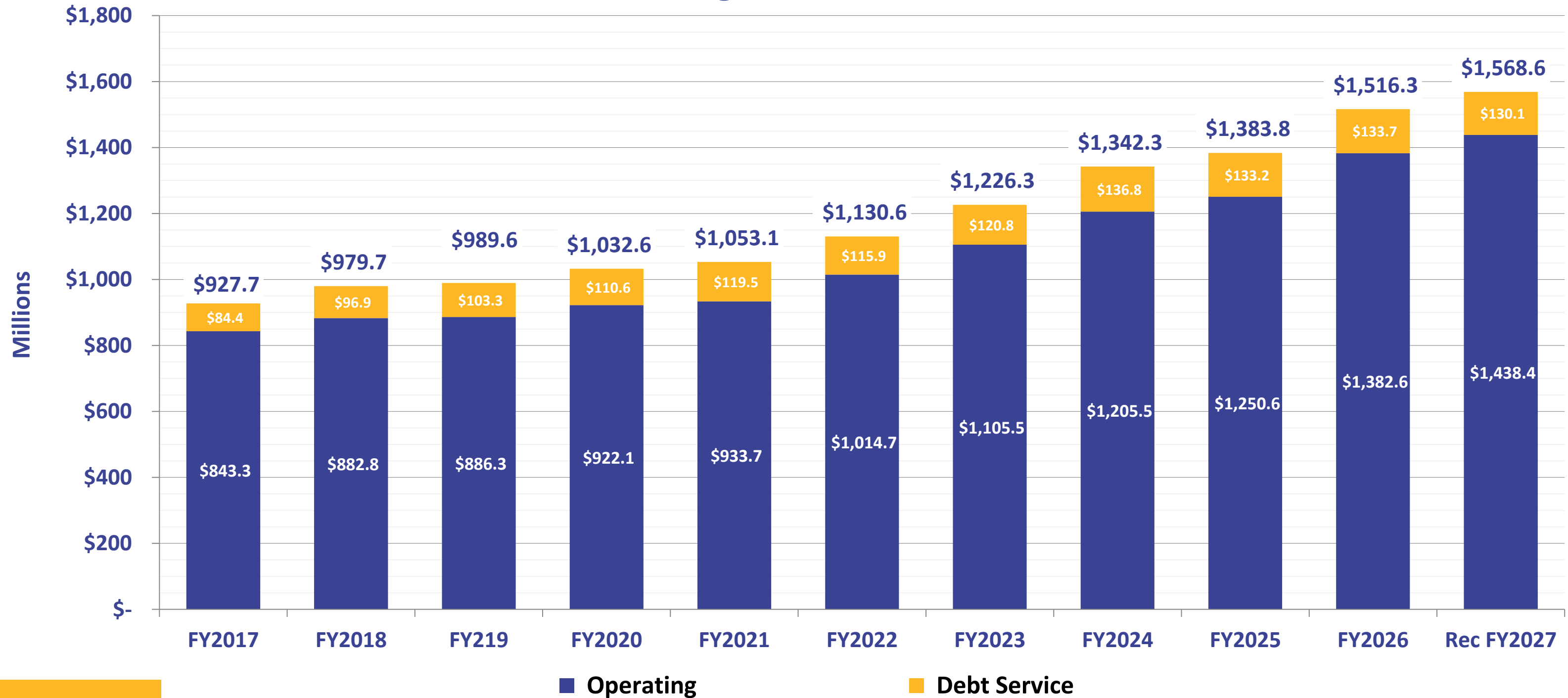
2% Merit  
Eligibility  
+ Steps

Exceeds  
3-Year Average  
Living Wage

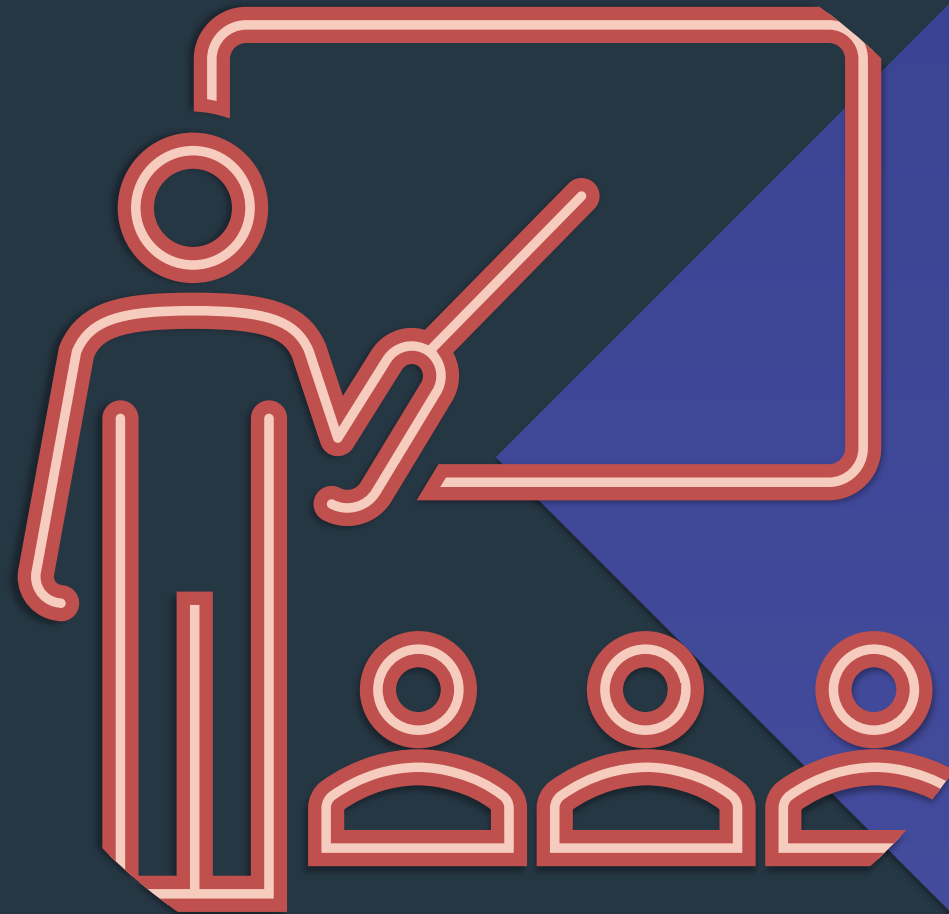


# FY2027 Recommended Budget Schools And School Debt Service Fund

Total Budget: \$1,568,577,200



# FY2027 RECOMMENDED BUDGET SCHOOLS EXPENDITURE HIGHLIGHTS



Education Increase  
**\$55,870,900\*** (4%)

\*Excludes fund balance restoration.



# Investing In Quality Schools



## 4% funding increase supports education

- ➔ Inflationary and contractual increases
- ➔ Step increases and across the board
- ➔ Pay restructure plan for teachers
- ➔ Before and after care (school programming)
- ➔ Support for new school start times
- ➔ Recruitment, retention and workplace readiness

## Our investments pay off:

- 🎓 Highest TCAP and EOC scores in MNPS history.
- 🎓 Achieved Level 5 TVAAS growth for four consecutive years.
- 🎓 Recorded the two highest graduation rates in district history in 2024 and 2025.



# FY2027 RECOMMENDED BUDGET IMPROVEMENTS

## Housing

- Barnes Trust Fund: \$6 million investment (total in FY27 budget = \$22 million)
- Affordable Housing Revolving Loan Fund: \$7 million (new affordable housing tool)
- PILOTs (per year):
  - LIHTC Cap: \$5 million
  - Mixed-Income Cap: \$2 million
  - Permanent Supportive Housing (PSH) Pilot Cap: \$1 million (new for FY27)

TOTAL: \$8 million



# FY2027 RECOMMENDED BUDGET IMPROVEMENTS

## ARPA Transition to General Fund Operating Budget

- Office of Homeless Services
  - Staffing (15 FTEs) to administer programs - \$1.5 million
  - Interim site housing - \$1.25 million
  - Case management - \$2 million
- Office of Family Safety
  - High-risk case management staffing (4 FTEs) - \$338K
  - Nashville Children's Alliance - \$385K
- Planning
  - Eviction Right-to-Council (Legal Aid, Hispanic Legal Society) - \$2.4 million
- Tennessee Immigration and Refugee Rights Coalition - \$735K
- Justice for our Neighbors - \$718K



# FY2027 RECOMMENDED BUDGET IMPROVEMENTS

- Sheriff's Office Care of Prisoners - \$8.5 million
- Correctional Healthcare - \$10 million
- General Hospital - \$7.1 million
- Juvenile Court - \$4.2 million (NYCE opening in late FY2027)
- Assessor of Property - \$1.4 million (move to 2-year appraisal cycle)
- Tax Relief program - \$1 million
- Office of Emergency Management - \$424K
- Health Programs – Mental Health Co-op \$396K, Strong Babies \$250K
- Budget maintains level funding for NFD, MNPD and DEC.



# REDUCTIONS TO DEPARTMENTAL BUDGETS

## GSD Supported Funds – Departments Only

- FY26 Baseline Budget + Additional FY27 recommended budget modifications.  
= FY27 Recommended Baseline Budget (before reduction)
- 1.5% Budget reduction calculated on FY27 recommended baseline budget  
= FY27 Recommended Budget in the Mayor's Budget
- Total **budget efficiency reductions** across departments amounts to **\$20.6 million.**

OMB will work with department heads on implementation of budget reductions in conjunction with Office of Performance Management and Office of Impact.



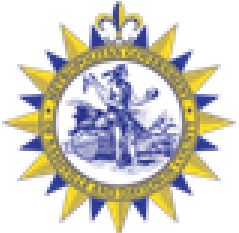
# FY2027 Recommended Budget

## Fund Balance

Fund	Estimated Unencumbered Fund Balance June 30, 2026	Fund Balance Appropriations FY 2027 Budget	Fund Balance Restoration FY 2027 Budget	Estimated Unencumbered Fund Balance June 30, 2027	Estimated June 30, 2027 Balance as a Percent of FY26 Expenditure Budget
<b>GENERAL SERVICES DISTRICT:</b>					
General Fund	\$356,652,200	(\$34,756,700)	\$0	\$321,895,500	17.0%
Debt Service Fund	150,555,200	(3,083,900)	0	147,471,300	50.0%
Schools Fund	225,747,800	0	9,778,700	235,526,500	17.0%
Schools Debt Service Fund	68,173,300	(3,109,600)	0	65,063,700	50.0%
<b>URBAN SERVICES DISTRICT:</b>					
General Fund	17,501,900	(6,354,900)	0	11,147,000	17.0%
Debt Service Fund	9,614,100	(1,489,300)	0	8,124,800	50.0%

TOTAL USE OF FUND BALANCE: \$48,794,400

*Fund Balance for Schools Fund is calculated exclusive of contribution to charter schools.*



# FY2027 RECOMMENDED BUDGET ONE-TIME OBLIGATIONS

<b>Medical Benefit Adjustment</b> (premium increase calendar year 2027 - 16.8%)	\$21,000,000
<b>Injury on Duty for Pensioners and Employee</b>	13,700,000
<b>Insurance Fund Balance Adjustment</b>	7,300,000
<b>Affordable Housing Revolving Loan</b>	7,000,000
<b>Elections</b>	1,597,700
<b>General Hospital COLA (prior year)</b>	1,100,000
<b>Other Departmental</b>	1,082,800
<b>NDOT Studies</b>	1,000,000
<b>TOTAL</b>	<b>\$53,780,500</b>



# FY2027 Recommended Budget

## Budget Sustainability

Fund	Estimated Budget Sustainability June 30, 2026	Budget Sustainability Appropriations FY 2027 Budget	Budget Sustainability Restoration FY 2027 Budget	Estimated Budget Sustainability FY 2027 Budget	FY27 Budget Sustainability as a Percent of FY27 Expenditure Budget
<b>GENERAL SERVICES DISTRICT:</b>					
General Fund	\$37,870,100	\$0	\$0	\$37,870,100	2.0%
Debt Service Fund	5,898,800	0	0	5,898,800	2.0%
Schools Fund	27,709,000	0	0	27,709,000	2.0%
Schools Debt Service Fund	2,602,500	0	0	2,602,500	2.0%
<b>URBAN SERVICES DISTRICT:</b>					
General Fund	2,622,800	0	0	2,622,800	4.0%
Debt Service Fund	650,000	0	0	650,000	4.0%

Budget sustainability for Schools Fund is calculated exclusive of contribution to charter schools.



# COUNCIL BUDGET CALENDAR



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



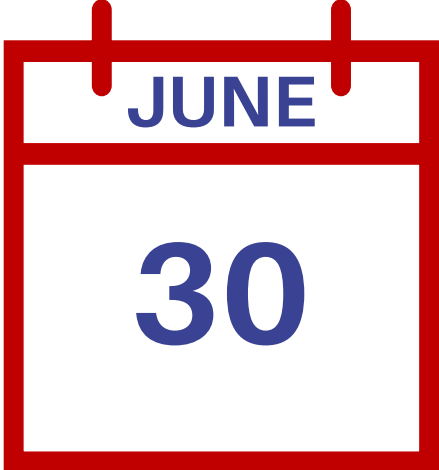
Council Budget and Finance Committee hold six committee meetings and hearings regarding departmental budgets.



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

## FY2027 Budget and Related Legislation

- Budget Ordinance
- Tax Levy
- Urban Council Resolution
- Pay Plan Resolutions
- Grocery Tax Resolution

## FY2027 Capital Improvements Budget (CIB)

- FY2026 Four Percent Reserve Fund Resolution
- FY2026 Supplemental Resolution





METRO FINANCE

# THANK YOU

● Metropolitan Government of  
Nashville & Davidson County