

MEMORANDUM TO: All Members of the Metropolitan Council

FROM: Jon Cooper, Director and Special Counsel
Metropolitan Council Office

DATE: **June 19, 2012**

RE: **Analysis Report For Proposed
Substitute Operating Budget**

Proposed Substitute Budget

The Chair of the Budget and Finance Committee will propose a substitute budget that provides for some changes in appropriations. The proposed \$0.53 increase in the combined GSD/USD property tax rate remains intact, but \$0.05 of this increase is being shifted from the GSD General Fund to the USD General Fund.

The substitute budget includes the \$1,000,000 in new revenue from the settlement of the lawsuit between Metro and XO Communications Services, LLC per Ordinance BL2012-163. This is also on the agenda for approval on third reading at the regular Council meeting on June 19.

The substitute budget provides for several additional cuts to departments and functions to create net savings of \$8.6 million. These savings will be used to increase the following fund balances:

- \$4,159,700 – GSD Debt Service Fund
- \$3,500,000 – MNPS Debt Service Fund
- \$940,300 – GSD General Fund Reserve

Because of these additional interfund transfers, the total budget will now be \$1,709,493,100.

The substitute budget provides for the following departmental reductions, for a total of \$6,213,800:

- \$591,500 – Auditorium
- \$200,000 – Codes
- \$350,000 – Coliseum
- \$27,800 – County Clerk
- \$38,800 – Criminal Court Clerk
- \$148,800 – Farmers' Market
- \$50,000 – Finance
- \$100,000 – Fire
- \$100,000 – Health
- \$90,000 – Library
- \$80,000 – Metro Council

- \$250,000 – MTA
- \$100,000 – Parks
- \$75,000 – Planning
- \$211,900 – Police
- \$100,000 – Public Works (GSD)
- \$3,500,000 – Schools (shifted to Schools Debt Service Fund)
- \$200,000 – State Fair

In addition to the above departmental reductions, the Social Services Commission would receive an additional \$40,200 for meal preparation and transportation for the elderly.

The substitute budget also provides for the following reductions to five contingency accounts for a total reduction of \$350,000:

- \$100,000 – ADA Contingency
- \$50,000 – Contingency account (GSD)
- \$50,000 – Contingency account (USD)
- \$50,000 – Local match contingency
- \$100,000 – Stormwater contingency

Four contributions totaling \$200,000 would be reduced in the substitute budget. They are as follows:

- \$50,000 – E-Health Connect
- \$50,000 – Hermitage
- \$50,000 – Music Council
- \$50,000 – Nashville Entrepreneur Center

Finally, other miscellaneous changes in the substitute budget account for the remaining \$876,400 of the total reductions. They are as follows:

- \$20,000 – Administrative account for relocations
- \$200,000 – GSD Insurance and Reserve Fund
- \$100,000 - GSD Judgments and Losses Fund
- \$56,400 – Reduced transfer to the 4% Fund
- \$500,000 – Reduction in internal service fee reserves

Language is being added to the substitute budget ordinance to allocate actual revenue collections from the lease agreement approved pursuant to BL2012-145 to the Davidson County Sheriff's Office for the purpose of the Community Services Program.

Language is also being added to require the Director of Finance, in conjunction with the relevant operating department directors, to provide the Metropolitan Council with a monthly report of revenues, expenses, and cash flows for Municipal Auditorium, State Fair, and Farmers' Market.

The budget ordinance is amendable on third reading. Pursuant to Council Rules, no amendment to the budget may be offered unless it has been submitted to the Budget & Finance Committee for a recommendation. The Budget & Finance Committee will meet at 4:00 p.m. on Monday, June 18th to consider the substitute budget. The full council will consider the substitute at the regular council meeting on June 19th.

Proposed Amendments to Ordinance No. BL2012-154

Amendment No. 1 (Duvall)

This amendment essentially cuts \$100 million from the budget so as to avoid any increase in the property tax levy. First, the amendment would remove the \$8,600,000 in cuts proposed by the budget and finance chair from the reserve funds, which amounts to approximately a 4 ½-cent reduction in the levy. Second, the amendment would cut another \$91,400,000 from the budget, with the majority coming from schools (\$29,644,000) and the hospital authority (\$29,500,000). This would leave the hospital authority with a total subsidy of \$13,690,700. The amendment would also reduce the subsidy for MTA by \$4,899,200, which is a 16.5% reduction from what was proposed in the mayor's budget. Finally, the amendment would delete all discretionary spending from the budget, including the \$16 million pay plan for employees, the elimination of all arts commission funding, and the elimination of all funds provided to nonprofit organizations. The amendment would not reduce the budgets of the police and fire departments.

There is a corresponding tax levy ordinance substitute that keeps the tax levy at the fiscal year 2012 rates.

Amendment No. 2 (Tygard)

This amendment would cut \$22,949,000 from the budget to reduce the tax increase by approximately 12 ½ cents. The amendment first would incorporate all of the reductions in spending proposed by the budget and finance chair, but would add back the funds for the police, planning, public works, parks, and health department, as well as \$90,000 for the public library. Second, the amendment would eliminate the pay plan improvements for Metro employees at a savings of approximately \$16,300,000, and add back \$5,417,400 to be used for a bonus to employees based upon county of residency. The funds would be placed in a reserve account to pay bonuses to employees in the SR13 pay classification or less based upon a county-of-residence formula to be developed by the civil service commission and approved by the council. Third, the amendment would reduce the funding for the Partnership 2020 program by \$100,000. Finally, the amendment would reduce the budget for Metro schools by an additional \$4,000,000, for a total reduction of \$7,500,000.

Amendment No. 3 (Bedne)

This amendment would cut approximately \$11,400,000 from the budget to result in a 6-cent property tax levy reduction. The amendment would incorporate all of the reductions in spending proposed by the budget and finance chair, but would add back the funds for the police and public works departments. The amendment would also reduce the Metro schools budget by an additional \$2,906,900, for a total reduction to MNPS of \$6,406,900.

Amendment No. 4 (Claiborne)

This amendment would reduce spending by an additional \$1,000,000 and place the funds into debt service reserve accounts. The amendment would reduce the schools budget by an additional \$500,000, decrease the MTA subsidy by \$250,000, and decrease the hospital authority subsidy by \$250,000. If this amendment were adopted, the total amount of funds placed into reserves would be \$9,600,000, which amounts to 5 cents of the tax levy.

Amendment No. 5 (Glover)

This amendment simply incorporates all of the reductions in spending proposed by the budget and finance chair, but instead of placing the \$8,600,000 in reserves, the tax levy would be reduced by approximately 4 ½ cents.

Amendment No. 6 (Tygard)

This amendment would shift \$1,058,800 from the hospital authority subsidy and \$85,400 from the human relations commission to the public library to open all branch libraries on Fridays. The \$85,400 from the human relations commission represents the salary and benefits from one vacant position. Two of the three positions at the human relations commission are currently filled.

Amendment No. 7

This amendment would shift \$28,000 from the appropriation for Partnership 2020 to the election commission for early voting sites in Bellevue and Green Hills for the August 2012 election.