

# METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



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Budget and Finance Chair Vercher and Council Members,

Over the last two fiscal years, Metro has been fortunate, due to historic levels of revenue collection, to invest in education, affordable housing, transit, public safety, and economic and community development. These improvements have no doubt had a positive impact to citizen services. As we entered into preparation of the FY 2019 operating budget, the administration's goal has been to create a fiscally prudent budget without increasing our historically low property tax rate. In doing so, one goal was to exercise a high level of fiscal discipline going forward.

## Where We Are Now

Over the last year, Metro has faced a number of financial challenges, chief among them:

- \$26 million less in property tax revenue than anticipated and
- \$20.6 million in FY 2018 supplemental funding requests which have resulted in fund balances that are below the 5% required by established policy.

We are also seeing property and sales tax revenues return to normal growth patterns from the historic highs of the last two fiscal years. While projected revenue growth for FY 2019 is **\$87.8 million**, the projected total budget growth is only **\$22 million**. This is due to a **\$65.8 million loss** in fund balance available for FY2019. Within this **\$87.8 million** projected growth, it's important to note that **\$38 million** comes from one time revenues from the sale of 3 Metro properties including Murrell School, Green Hills Fire Station and 3800 Charlotte Avenue and securing an on-street parking vendor. More information on these projects will be provided under a separate memo.

## FY 2019 Recommended Operating Budget

All combined, this means that we need to focus on the essentials. Departments are recommended to receive minimal improvements in this budget. In total this budget anticipates more than **\$16 million** in savings, all achieved with no impact to direct services to the public. Of this amount, the budget includes targeted savings of **\$11.5 million**. The Finance Department will work with departments to identify these savings and organizational efficiencies over the coming year. As you know, departments were asked to work with the Finance Department on savings in the current fiscal year to help restore our fund balances and they will be asked to do so again next fiscal year. We believe that this savings target is achievable. Again, there are no program or service reductions anticipated in this recommended budget.

The *FY 2019 Operating Budget* makes fiscally prudent investments in **public education, affordable housing & homeless services, Metro employees, and health & hospitals.**

### **Public Education**

Under the recommended budget, Metro Nashville Public Schools will receive a **\$5 million** increase over their FY 2018 operating appropriation, as well as an additional **\$9.4 million** for debt service obligations. The operational budget increase is intended to support the employee raises proposed by Dr. Joseph in the MNPS budget request.

The amount of local funding allocated in the operating budget actually increases by **\$26 million**. The loss of BEP revenues and the reduction in fund balance usage, among other factors, leaves only a **\$5 million net** increase for budget improvements.

### **Metro Employees**

As you are aware, last year both the Civil Service Commission and the Metropolitan Council approved a three-year employee pay plan, the details of which are outlined in the table below:

Current Three-Year Plan	Increments	COLA	Open Range
FY 2018	Yes	2%	2%
FY 2019	Yes	3%	3%
FY 2020	Yes	3%	3%

The *FY 2019 Operating Budget* proposes replacing the above plan with a one-year alternative version, the details of which are below. This is subject to the approval of the civil service commission.

Proposed One-Year Plan	Increments	COLA	Open Range
FY 2019	Yes	0%	2.5%

In total, this represents an **\$8.5 million** investment in Metro employees, who will also see **no cost increase for their health insurance** in FY 2019. Another **\$2.2 million** increase for pensioner health benefits is also recommended to cover the increase in the number of eligible retirees.

While I know this is not an ideal situation—short of direct impact to personnel & services or raising revenue—this is the best option at this time to recognize Metro employees in a fiscally responsible manner.

### **Affordable Housing & Homeless Services**

Mayor Briley has committed another **\$10 million** to the *Barnes Fund for Affordable Housing*. This is the third-consecutive appropriation of that amount to the Barnes Fund. When combined with the \$25 million of bonds issued in FY 2018, this will represent a three-year, **\$55 million** investment in affordable housing for Nashville.

Additionally, **\$450,000** is recommended for the *Housing Incentives Pilot Program*.

### **Health & Hospitals**

Nashville General Hospital is recommended to receive an operating subsidy to **\$46.1 million**. Adjustments to their request have been made to remove the stay pay bonuses that were proposed and to reduce the requested 3% raise to 2.5% to mirror those raises recommended for general government employees.

Additionally, Bordeaux Nursing Home will receive **\$3.5 million** to fund the operating contract with Signature, while Knowles Assisted Living Facility will receive **\$2 million** to fund the operating contract with Anthem.

### **Additional Budget Highlights**

The recommended budget provides the necessary funding for the opening and operation of three highly anticipated Metro facilities. In FY 2019, Metro Parks will open the **Smith Springs Community Center**, as well as the **Madison Community Center**. The **Family Justice Center** on Murfreesboro Road is also slated to open this fiscal year, providing much needed space for MNPD and the Jean Crowe Advocacy Center.

An improvement in funding is recommended for Public Works to fully **implement services in the newly annexed areas of the USD**. Likewise, **\$100,000** has been added to direct appropriations this year to be split evenly between the Black, Hispanic, Latino and LGBT Chambers of Commerce.

I know you will have many questions in the days ahead. Please know that my staff and I are always available. Thank you, as always, for your service to the city.

Regards,



Talia Lomax-O'dneal  
Director of Finance