

# Nashville Business Breakfast

December 10, 2019



OFFICE OF MAYOR  
**JOHN COOPER**

# NASHVILLE'S BUDGET GAP

How we got here, and how we'll move forward



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# Recapping the State Comptroller's Remarks

Metro Council | November 13, 2019



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# NASHVILLE'S ECONOMY

## Nashville on the Rise



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# Nashville on the Rise

## Building Permits Issued:

Past 12 months: 11,453

Year prior: 11,143

Two years ago: 11,710

## Cost of Construction:

\$3.94 billion

\$3.18 billion

\$3.34 billion



# Growth and Equalization

<u>Year</u>	<u>Total Estimated Actual</u>	<u>Property Tax Revenue</u>
	<u>Property Value:</u>	
2014-15	\$66.27 billion	\$928.8 million
2015-16	\$67.53 billion	\$944 million
2016-17	\$78.26 billion	\$972.3 million
2017-18	\$99.66 billion	\$998.6 million
2018-19	\$102.92 billion	\$1.04 billion



# COUNCIL'S RESPONSIBILITY

- **Balanced Budget**
- **Provide Essential Services**

**It is difficult to do one without the other for any length of time.**



# COMPTROLLER'S RESPONSIBILITY

## Audit Authority

- Annual Audit Required
- Reviewed by Comptroller Staff
- Fraud, Waste, and Abuse

## Budget Approval

- Balanced Budget
- Debt Obligations are met
- Adequate Cash on Hand





# RESPONSIBLE BUDGETING

## Recurring vs. Non-recurring

- Budget contains recurring and non-recurring revenue
- Recurring revenue happens each year while non-recurring may or may not happen



# STRUCTURALLY BALANCED BUDGET

**A budget is structurally balanced when recurring expenses balance with recurring revenues, and non-recurring expenses balance with non-recurring revenues.**



# METRO BUDGET

The Metropolitan Government  
of  
Nashville & Davidson County  
Recommended Operating Budget for Fiscal Year 2019-2020  
David Briley, Mayor May 2019



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# CASH BALANCES ENDING JUNE 30, 2020

Tax Funds	Ending Cash	Number of days of cash
General Fund	\$ 65,332,815	21.32
General Purpose School Fund	2,254,056	0.90
Debt Service Funds:		
General Services Debt Service Fund	2,744,302	4.82
School Debt Service Fund	201,795	0.67
Urban Services Debt Service Fund	293,612	5.74

❖ **All tax funds will end fiscal year 2020 with little cash on hand.**

Source: FY 2020 Budget and unaudited June 30, 2019 reports from Metro

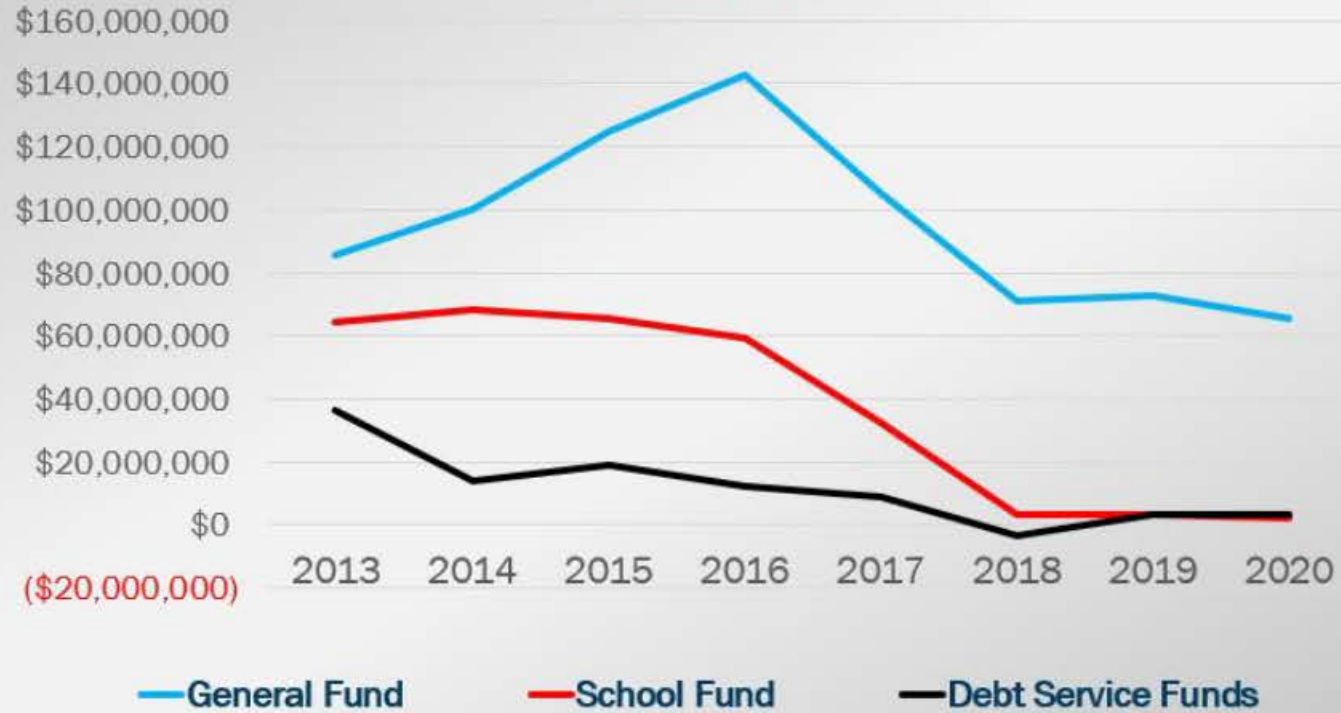


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# CASH TRENDS

## Metro Cash on Hand



Source: Audited Financial Statements, FY 2019 and 2020 Budgets, Unaudited June 30, 2019 reports from Metro

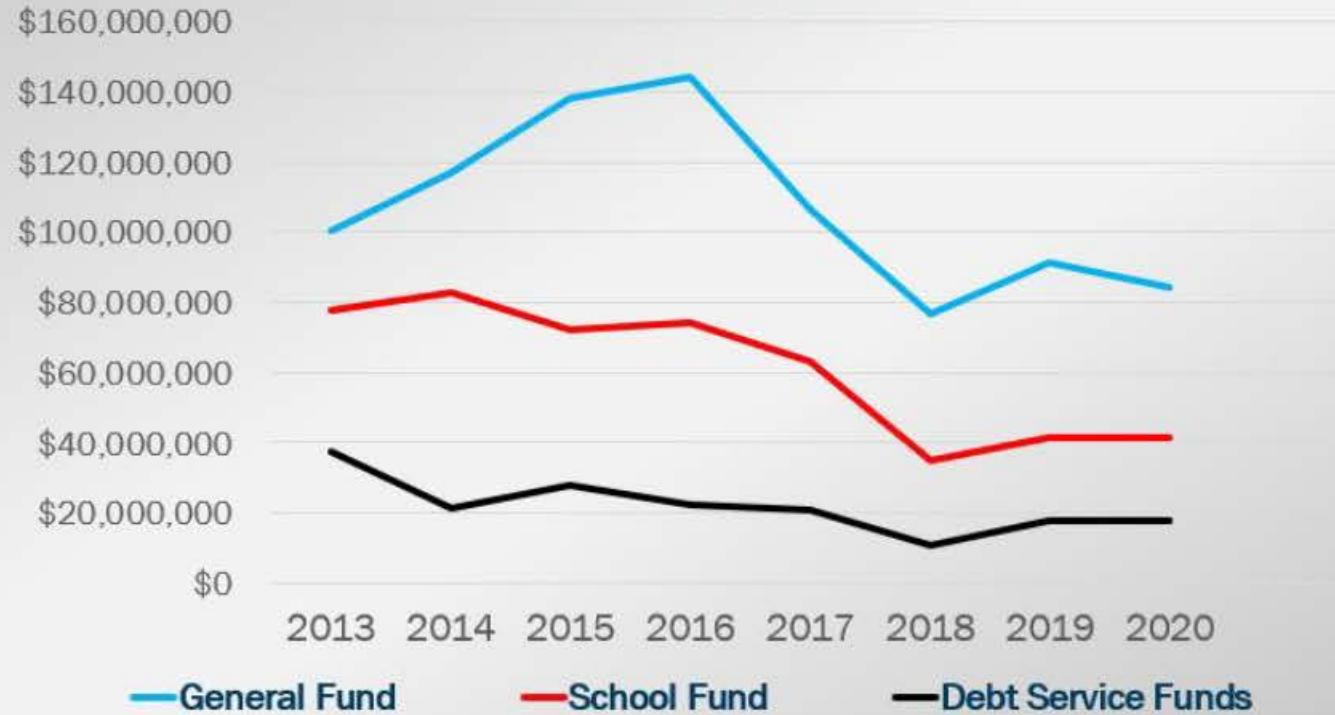


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# FUND BALANCE TRENDS

## Metro Fund Balance



Source: Audited Financial Statements, FY 2019 and 2020 Budgets, Unaudited June 30, 2019 reports from Metro



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# GENERAL FUND

General Fund	Audit 2013	Budget 2020	2020 vs. 2013
Revenues	\$ 875,779,170	\$ 1,111,185,200	26.88%
Expenditures	845,984,907	1,118,485,200	32.21%
Revenues - Expenditures	<u>29,794,263</u>	<u>(7,300,000)</u>	
Cash	85,654,048	65,332,815	(23.72)%
Fund Balance	100,538,265	84,100,000	(16.35)%
Cash as a % of Exp	10.12%	5.84%	
Fund Balance as a % of Exp	11.88%	7.52%	

- **Expenditures have increased 32% since 2013.**
- **Cash has decreased nearly 24%. Fund balance has decreased 16%.**

Source: Audited Financial Statements, FY 2019 and 2020 Budgets, Unaudited June 30, 2019 reports from Metro



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# SCHOOL FUND

	Audit 2013	Budget 2020	2020 vs. 2013
General Purpose School Fund			
Revenues	\$ 735,770,212	\$ 914,475,600	24.29%
Expenditures	714,441,258	914,475,600	28.00%
Revenues - Expenditures	21,328,954	-	
Cash	64,157,540	2,254,056	(96.49)%
Fund Balance	77,554,099	41,300,000	(46.75)%
Cash as a % of Exp	8.98%	0.25%	
Fund Balance as a % of Exp	10.86%	4.52%	

- **Expenditures have increased 28% since 2013**
- **Cash has decreased 96%**

Source: Audited Financial Statements, FY 2019 and 2020 Budgets, Unaudited June 30, 2019 reports from Metro





# DEBT SERVICE FUNDS

Debt Service Funds	Audit 2013	Budget 2020	2020 vs. 2013
Revenues	\$ 167,064,917	\$ 336,872,700	101.64%
Expenditures *	141,732,066	336,872,700	137.68%
Revenues - Expenditures	25,332,851	-	
Cash	36,196,835	3,239,709	(91.05)%
Fund Balance	37,330,128	18,000,000	(51.78)%
Cash as a % of Exp	25.54%	0.96%	
Fund Balance as a % of Exp	26.34%	5.34%	

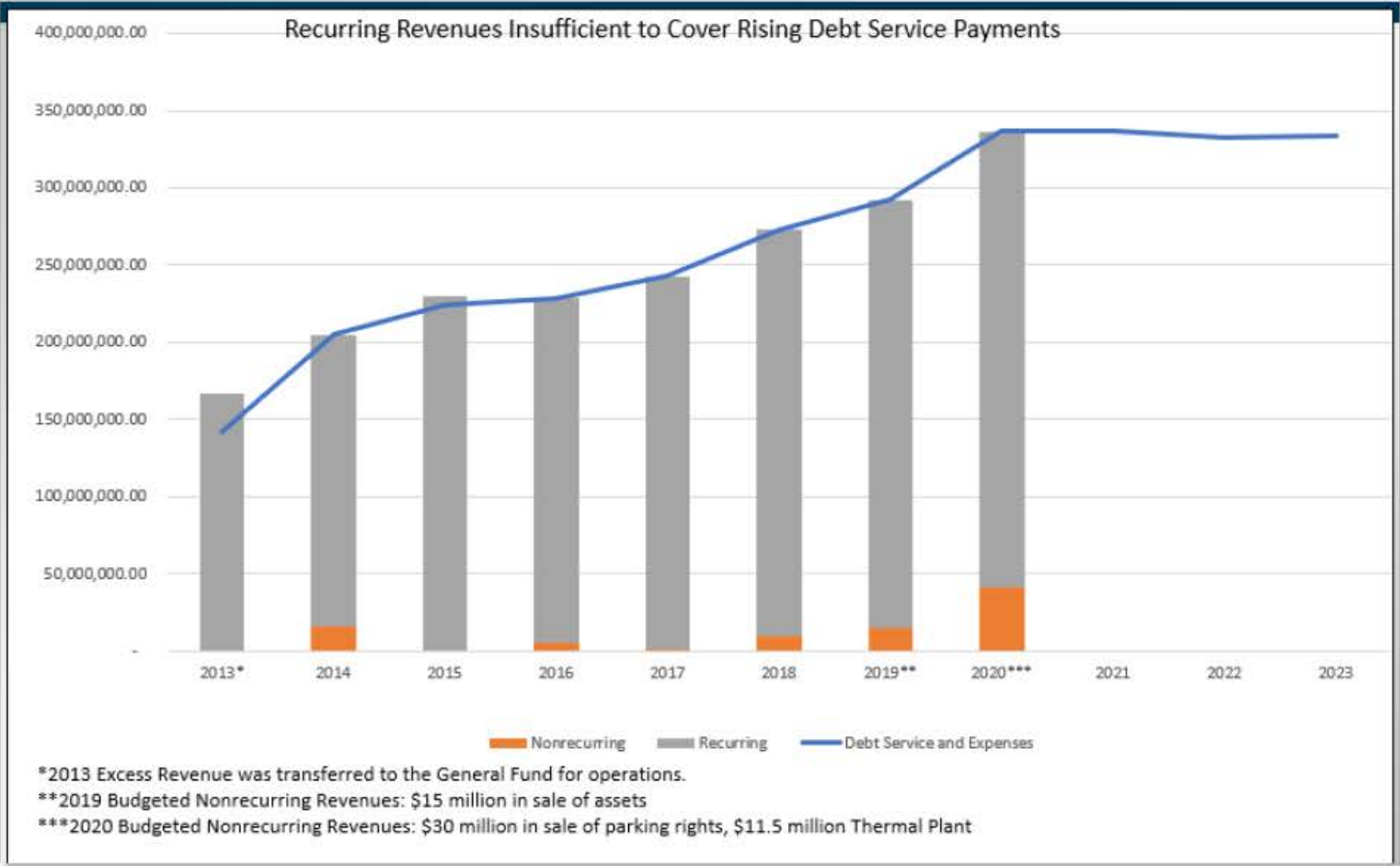
\* 2013 net of transfers and refunding

- **Expenditures have increased 138% since 2013**
- **Cash has decreased 91%**
- **Nonrecurring revenue is used to pay debt**

Source: Audited Financial Statements, FY 2019 and 2020 Budgets, Unaudited June 30, 2019 reports from Metro



# DEBT SERVICE FUNDS



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# JULY 1, 2020 DEBT PAYMENT

- ⊕ **Projected cash available in Debt Service Funds at June 30, 2020 = \$3,239,709**
- ⊕ **Estimated debt payments due on July 1, 2020 = \$251,534,035**
- ⊕ **Total projected cash in all tax funds at June 30, 2020 = \$70,826,580**

**(Sale of Parking Rights and DES is included in projected cash available.)**

Source: Audited Financial Statements, FY 2019 and 2020 Budgets, Unaudited June 30, 2019 reports from Metro



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# OPEB AND PENSION LIABILITIES

## Metropolitan Nashville Davidson County Government

	FY 2015	FY 2016	FY 2017	FY 2018
<b>Total Pension and OPEB Liabilities</b>	\$ 1,459,001,120	\$ 1,736,569,749	\$ 1,748,057,056	<b>\$ 4,096,867,535*</b>

\*During fiscal year 2018, a prior period adjustment of \$2,248,553,835 was made to record a liability for OPEB due to a new accounting standard that required all governments to report OPEB liabilities in the financial statements.

Source: Comprehensive Annual Financial Reports



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# METRO BUDGET

The Metropolitan Government  
of  
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Recommended Operating Budget for Fiscal Year 2019-2020  
David Briley, Mayor May 2019



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# Our Response

## Metro's Corrective Action Plan



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# The Path Forward

Submitting a Corrective Action Plan to the State Comptroller

- Structurally balanced budget
- Cash management policy

Working to balance this year's budget while avoiding employee layoffs and minimizing disruptions to city services.



# Balancing the Budget

3/4 of our solution to the budget gap will come in the form of new revenue.

- i.e. Convention Center PILOT

## Program Delay: Partial Barnes Fund round

- Grant round of \$5 million instead of \$9.5 million
- The remaining funds will be reimbursed in next year's budget or in spring 2020 with excess fund balance.







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