

ARTICLE I

The amounts hereafter set out in Section I and Section II shall constitute the estimated revenues and applicable prorating provisions for property taxes, and the Operating Budget for The Metropolitan Government of Nashville and Davidson County, and the said sums specified herein are hereby appropriated for the purpose of meeting the expenses for the General Services District (GSD) and the Urban Services District (USD), respectively, for the various departments, institutions, offices, and agencies of the Metropolitan Government, and for meeting the payments of principal and interest on the Metropolitan Government debt maturing during the fiscal year beginning July 1, 2022 and ending June 30, 2023 (hereinafter referred to as Fiscal Year 2023 and FY2023).

The informational summary sheets immediately following are summaries of the detailed estimated revenue sources and budget appropriations by funds for purposes and in amounts numerically itemized by departmental accounts in subsequent schedules of Section I and Section II.

In order to facilitate proper grant accounting, the Director of Finance is hereby authorized to transfer grant-related appropriations and estimated revenues from the general funds to existing or new grant-related special revenue funds at her discretion.

For the purpose of maintaining authorized position counts in Metro's enterprise business system, the Director of Finance is hereby authorized to adjust budgeted positions and full-time equivalents of the various departments and agencies of the Metropolitan Government so as not to exceed authorized budget allocations established in this ordinance.

The Director of Finance is hereby authorized to transfer funds as necessary to implement the Guaranteed Payment Plan program previously approved by the Metropolitan Council.

Pursuant to RS2021-794, the Director of Finance is hereby authorized to transfer funds and positions as necessary to implement the Memorandum of Understanding between the Department of Water and Sewerage Services and the Department of Public Works. For the purposes of the continued provisioning of services for the collection and disposal of solid waste as contemplated in Metropolitan Charter § 8.402, the Director of Finance is further authorized to allocate and transfer funds and positions as necessary as a result of any amendment to the Metropolitan Charter or action of the Council by resolution or ordinance concerning or impacting the provision of such services.

The Director of Finance is hereby authorized to carry forward and allocate in FY 2023 any unencumbered and unexpended funds at June 30, 2022 for General Government Administration, Employee Benefits and Contingency, Economic Development, and Community Support.

The Director of Finance is hereby authorized to carry forward and allocate in FY 2023 any unencumbered and unexpended funds at June 30, 2022 for appropriations made from benefit trust fund accounts.

The Director of Finance is hereby authorized to adjust the interest earnings of each account in the Metro Investment Pool to recover a pro-rata share of the costs of the Treasurer's investment and cash management programs.

For the purpose of providing funds in anticipation of various grant and other revenues, the Director of Finance is hereby authorized to enter into interfund loans between funds of the Metropolitan Government and between the Metropolitan Government and related but separate legal entities that are included in the Metropolitan Government's reporting entity, as may be permitted under the laws of the State of Tennessee.

Nashville General Hospital (NGH) serves as a safety net facility for the provision of acute medical care services to residents of Davidson County, Tennessee. NGH requires additional resources to provide health

care services to the indigent, uninsured and Medicaid/TennCare patients in Davidson County; otherwise such services would be unavailable. An appropriation of \$52,038,000 is to be provided to the Hospital Authority, all of which is provided as part of this Fiscal Year 2023 operating budget with the following appropriation established for safety net expansion purposes: \$6,500,000. This safety net expansion appropriation shall be in the form of an intergovernmental transfer to the State of Tennessee as a match to secure federal funding. Such federal funding requires the approval of the Centers for Medicare and Medicaid Services (CMS). If CMS fails to approve the \$6,500,000 as a federal funding match, then the \$6,500,000 appropriation will be paid directly to the Hospital Authority. The Mayor is authorized to execute any and all documents necessary to complete the above-referenced transaction with the Federal and State governments.

As an express condition of the receipt of the Hospital Authority appropriation set forth herein, within 5 days of Hospital Authority Board review but no later than 45 days after the end of each month, the Hospital Authority shall provide electronic copies of the following:

- (a) the most recent month end budget to actual income statement;
- (b) the most recent cash flow statement showing each actual month beginning July 1, 2022 and showing each projected month through June 30, 2023;
- (c) the most recent month's balance sheet;
- (d) the most recent bank statements or other documentation from all Hospital Authority banks showing detailed deposit and withdrawal transactions;
- (e) aging reports with explanations for any amounts in dispute for accounts receivable, accounts payable and any recorded or unrecorded liabilities not included in accounts payable, including a comprehensive summary of each unpaid amount billed by Meharry Medical College;
- (f) the previous month's copies of the balance sheet;
- (g) the monthly actual and projected cash flow;
- (h) patient outcome documentation;
- (i) co-pays and deductibles collected at time of service upon intake; and
- (j) Nashville General Hospital department audits.

These records shall be submitted to the following:

- a. the Metropolitan Director of Finance;
- b. the Vice Mayor of the Metropolitan Council; and
- c. each member of the Metropolitan Council. "

In the event adjustments are needed for internal service fund budgets by the Metro Council, the Director of Finance is authorized to adjust the affected operating budgets of internal service funds, special revenue funds, enterprise funds, and departmental operating budget accounts. The Director of Finance is authorized to adjust internal service fund budgets for purposes of incorporating pay plan adjustments as authorized by the Metro Council.

Within 5 business days of the closure of ledger for each month, but no later than 45 days after the end of each month, the Metropolitan Nashville Public Schools (MNPS) shall provide the following for the MNPS General Fund and special revenue funds and internal service funds managed by MNPS listed in Section 1, Schedule D of this ordinance:

- (a) the most recent month end budget to actual expense activity with monthly projections through June 30, 2023;
- (b) the most recent month end budget to actual revenue activity with monthly projections through June 30, 2023 for revenue accounts projected by MNPS;
- (c) the most recent cash flow statement showing each actual month beginning July 1, 2022 and showing each projected month through June 30, 2023;
- (d) any reported programmatic or funding changes in Basic Education Program;
- (e) any audit findings or legal determinations that could have a material impact on financial

resources;

(f) summary by grant of the amounts billed but not yet received;

(g) summary by grant of the amounts expended but not yet billed to grantors; and

(h) a report on the status of revenue allocations and expenditure status of any local, state, or federal funds made available to the MNPS for COVID-19 relief.

These records shall be submitted to the following:

a. the Metropolitan Director of Finance;

b. the Mayor's Office;

c. the Vice Mayor of the Metropolitan Council; and

d. each member of the Metropolitan Council."

For purposes of expediting disaster recovery efforts during the fiscal year, the Director of Finance is hereby authorized to expend funds up to \$5,000,000, per event. The Director of Finance will notify the Metropolitan Council when such emergency expenditures have been triggered. At such a time that the Finance Director has sufficient information available to provide an estimated financial need and has identified funding sources, a resolution shall be filed with the Metropolitan Council to appropriate these funds. In situations where reimbursement of certain expenses is expected from Federal Emergency Management Agency (FEMA) via grant funding from the Tennessee Emergency Management Agency (TEMA) funds, insurance proceeds and/or other identified funding sources, such reimbursements from federal and/or state grants shall be submitted to the Metropolitan Council for approval at the time the funds are awarded.

The Director of Finance is hereby authorized to carry forward and allocate remaining funds at June 30, 2022 and funds received during FY 2023 from Hotel Occupancy Tax Funds (30047 Hotel Occupancy 2007 1% Secondary TDZ Fund) enacted pursuant to Ordinance BL2010-727, as amended by BL2017-589, for the purpose of reimbursing expenses related to flood mitigation and the repair and renovation of the Grand Ole Opry House due to damages directly caused by the May 2010 flood.

The Director of Finance is hereby authorized to increase the allocation for the tourist promotion budget from Hotel Motel Occupancy Tax Funds (30044 Hotel Tourist Promotion) for the purpose of recognizing any revenue received in excess of budgeted revenues to support the direct promotion of tourism in accordance with TCA Title 7, Chapter 4.

For the purpose of obtaining adequate funds for its continued operation while awaiting the receipt of funds from federal grants, MTA is hereby authorized to borrow funds in a principal amount not to exceed \$20 million dollars at a rate of interest and such other terms to be determined at the discretion of MTA in accordance with its policies and procedures, (the evidence of such borrowing referred to as the "Note"). The Note shall mature not later than June 30, 2023. The principal of and interest on the amount of the Note may be secured by the pledge of the MTA's business assets, including accounts, accounts receivable, contract rights, inventory, furniture, fixtures, equipment, general intangibles, and personal property of all and every kind, wherever located and whether now existing or hereinafter acquired. MTA may take such other steps as are necessary to effectuate the Note and the purposes of this Resolution. The debt secured by the Note shall not pledge the credit of the Metropolitan Government of Nashville and Davidson County and shall be "without recourse" such that the Metropolitan Government of Nashville and Davidson County is not obligated with respect to the debt or the Note.

Analysis

This ordinance is the proposed operating budget for the Metropolitan Government for Fiscal Year 2023. The budget filed by the Mayor provides for the following proposed funding:

- General Services District General Fund \$1,288,483,800

- General Services District Schools Fund \$1,109,002,500
- General Services District General Debt Service Fund \$269,723,100
- General Services District Schools Debt Service Fund \$120,799,100

TOTAL GENERAL SERVICES DISTRICT BUDGET \$2,788,008,500

- Urban Services District General Fund \$161,957,300
- Urban Services District General Debt Service Fund \$20,294,700

TOTAL URBAN SERVICES DISTRICT BUDGET \$182,252,000

TOTAL OPERATING BUDGET \$2,970,260,500

The Fiscal Year 2022 budget is \$2,646,580,300. The Mayor’s proposed budget represents an overall increase of \$323,680,200 (12.2%).

The Mayor’s proposed budget would not appropriate any funds from the unreserved fund balances of the primary budgetary funds. Metro’s established policy is to maintain a fund balance equal to or greater than 5% for each of the six primary budgetary funds, the GSD General Fund, USD General Fund, and General Purpose School Operations Fund, as well as the three related primary debt service funds.

The Mayor’s proposed budget is projected to result in the following fund balance percentages by June 30, 2023:

- General Services District General Fund 23.4%
- General Services District Debt Service Fund 10.4%
- General Services District Schools Operations Fund 18.3%
- Schools Debt Service Fund 54.3%
- Urban Services District General Fund 7.8%
- Urban Services District Debt Service Fund 23.3%

The current FY22 property tax rate for the GSD is \$2.953 per \$100 of assessed value. The current rate for the USD is \$0.335, giving a combined rate of \$3.288. Ordinance No. BL2022-1249 would adopt a rate \$2.920 in the GSD and \$0.332 in the USD, for a combined rate of \$3.252. Per the requirements of Tenn. Code Ann. § 67-5-1701, the certified property tax rates must be set to produce the same ad valorem revenue for Metro as was levied during the previous year, exclusive of new construction, improvements, and deletions. The FY22 tax levy was the same as the certified property tax rate. State law also requires that, in the year following the adoption of the certified tax rate, the State Board of Equalization order recapture of an excessive adjustment if the certified tax rate was found to be overestimated. The proposed FY23 tax levy is \$0.002 below the recapture rate ordered by the State Board of Equalization.

Even with the reduction in the tax rates, growth is expected to generate new property taxes in the amount of \$101.5 million over the budgeted FY22 revenue. The proposed FY23 budget includes an increase of \$138.2 million in local option sales tax revenues. The budget also includes expected revenue increases from grants

and other non-tax revenues in the amount of \$49.5 million.

The proposed budget includes an increase of \$43.6 million for pay plan improvements. All employees would receive a 4% cost-of-living raise on July 1, 2022. In addition, funding is included for increment increases for all eligible employees, funding for 3% open-range pay increases, and funding for an increase to the minimum wage for full-time hourly employees all of which would be effective on July 1, 2022. The department heads have the discretion to determine the actual raises to be given to each open-range employee.

The Mayor's budget includes a \$4.4 million increase for equipment and building repairs. This is the equivalent of setting aside 5% of the GSD general fund revenue for this purpose, as opposed to the 4% required by the Charter. This should help Metro address some deferred maintenance and equipment needs that have not been able to be funded previously

The Barnes Fund for Affordable Housing would receive an additional \$15 million as part of the continuing commitment for affordable housing, which is partly funded by the local portion of the hotel/motel taxes generated by short-term rental properties.

The largest investment in the Mayor's proposed budget is for Metro Nashville Public Schools. This includes an \$94.34 million increase in the amount of local funding for schools. This would result in a total MNPS operating budget of \$1,109,002,500. This includes employee pay for support staff, steps and 4% COLA for all employees. However, as noted in two presentations by MNPS to the Council, the state share funding was reduced resulting in a \$22 million shortfall in the overall MNPS budget.

The budget includes funding for a number of improvement requests submitted by various departments. This includes a \$10.7 million increase for WeGo, \$13.8 million for Fire and EMS operations, \$19.3 million for the Police Department, plus a \$1 million allocation for a Police Recruitment Program, \$2.2 million for Public Works/NDOT for right-of-way pollution reduction and pedestrian safety. Other departmental investments focus on staffing to improve services includes:

- Public Works/NDOT: \$4.5 million for additional positions
- Parks and Recreation: \$4.8 million for additional positions supporting a variety of programs
- Codes Administration: \$1.7 million for additional positions to improve customer services
- Public Health: \$2.1 million for a variety of new positions
- Public Library: \$1.1 million for a variety of new positions
- Planning Department: \$2.6 million for a variety of new positions
- Social Services: \$ 1.29 million for a variety of new positions

The Hospital Authority would receive a subsidy from the general fund of \$52,038,000, an increase of \$2,478,000 over the FY22 budget. The subsidy for Bordeaux Long Term Care management contract is \$320,000. The subsidy for the Knowles Home assisted living facility increased by \$100,000.

Section 6.07 of the Charter requires the next order of business following adoption of the operating budget ordinance, to be the adoption of the tax levy ordinance.

Per Rules 39 and 41 of the Metro Council Rules of Procedure, the budget ordinance is amendable on third

reading. And pursuant to section 6.06 of the Metro Charter, the Council must adopt a substitute operating budget no later than June 30. Otherwise, the budget as originally submitted by the Mayor becomes effective on July 1 by operation of law.

Analysis of the Substitute Budget

The Chair of the Budget and Finance Committee is proposing a substitute budget that provides for some changes in appropriations and revenue projections. The substitute includes budget modifications totaling \$15,100,000 to address the MNPS deficit created by the state. The substitute also includes increased funding totaling \$8,598,300 for the following departments and programs:

- \$4,000,000 to increase MNPS support staff wages and address compression matters.
- \$2,900,000 for a .5% increase to the Metro employee COLA bringing the total to 4.5%.
- \$519,500 to fund pre-hire health screenings for police, fire, and sheriff's office as well as funding an animal behavioral specialist position in addition to the six FTEs in the mayor's proposed budget for the health department.
- \$250,000 to support the Nashville GRAD program bringing the total to \$750,000.
- \$200,000 to fund an updated study of Metro's obligations for capital improvements to the stadium.
- \$160,000 to support the public libraries by providing employee parking, of which, \$110,000 will be utilized to shuttle employees to the downtown branch.
- \$150,000 is appropriated to Metro action commission for a day care restorative therapy support position and to support MC3 workforce development.
- \$142,300 for the planning commission to add housing planning positions.
- \$77,000 for the juvenile court for a youth program coordinator.
- \$74,500 for one new position in addition to the four FTEs in the mayor's proposed budget for the community oversight board.
- \$50,000 for social services to fund motel rooms to provide support for persons experiencing homelessness.
- \$50,000 for translation services and technology to provide on screen Spanish closed captioning in the council chambers.
- \$15,000 to fund a grant to Neighbor 2 Neighbor.
- \$10,000 to increase contribution funding for Sister Cities Nashville for a total of \$70,000.

In addition to the increase in revenue of \$940,400 generated by the GSD tax levy recapture rate, the following appropriations are being reduced to fund the increased expenditures:

- General Fund 4% Reserve Fund (\$4,832,500)
- GSD Contingency Account (\$100,000)
- USD Contingency Account (\$50,000)

• Judgements & Losses	(\$700,000)
• Contingency Utility Expense	(\$291,000)
• Self-Insured Liability	(\$684,400)

Further, some of the increased expenditures are one-time spending items and are funded with an increase to the undesignated fund balance of \$1,000,000. In addition, the substitute budget reduces appropriations from the water and sewer enterprise funds to correct typos in the mayor's proposed budget.

Several sources are tapped to provide sufficient revenue to fill the gap created in the MNPS appropriation from the state's unexpected reduction in school funding. First, the undesignated fund balance is increased by \$8,000,000 to provide funding for designated one-time expenditures in the mayor's proposed budget freeing up revenues to be moved to fund schools. Secondly, the following reductions are taken from departmental accounts to provide funding for schools in the amount of \$7,100,000:

• MNPD* (\$986,400)	
• MNFD*	(\$998,000)
• NDOT	(\$1,000,000)
• Judgements & Losses	(\$300,000)
• Libraries	(\$500,000)
• Self-Insured Liability	(\$315,600)
• Parks	(\$500,000)
• USD Benefits	(\$1,500,000)
• MTA Subsidy	(\$1,000,000)

*The administration has committed to funding these items with the 4% Fund.

Lastly, MNPS identified reductions in their budget totaling \$7,500,000, which, when combined with the support staff funding increase produces an overall reduction to the MNPS appropriation in the substitute budget to \$1,097,426,300.

In total, this substitute budget appropriates \$9,000,000 in undesignated fund balance for one-time spending items. This will reduce the total fund balance available for use in the event of unforeseen emergencies or economic downturns. Currently, best practice encourages governments to adopt a policy providing for the maintenance of at least two months of operating expenses in fund balance. The Council adopted a financial management policy in Resolution R89-959 to maintain a fund balance equal to 5% of the three operating funds' budget and to refrain from using nonrecurring revenue to fund ongoing operations of the three operating funds. The use of the \$9,000,000 in fund balance to support expenditures in this substitute budget would keep Metro in line with its adopted policy. Regardless of the use of fund balance in the substitute budget, Metro's fund balance does not meet the two-month operating expenses recommended as best practice.

The substitute budget reduces the appropriation to the general fund reserve fund, known as the 4% Fund, by approximately 0.5% for a total appropriation of about 4.5% or \$50,064,800. Per the Metro Charter, this fund is to be funded with 4% of the gross revenues of the GSD general fund and reserved for equipment and building repair uses throughout the year. There is currently a list of departmental requests for the use of 4% Fund funds totaling approximately \$136,000,000, including the MNPD and MNFD reduced appropriations noted above.

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 Tuesday, June 21, to consider the substitute budget. The full council will consider the substitute at the regular council meeting at 6:30 p.m. on June 21.