



# Metropolitan Nashville and Davidson County, TN

## Legislation Text

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**File #:** BL2020-534, **Version:** 2

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An ordinance to require a debt report from the Director of Finance each time a capital spending plan is filed containing specific information about the impact the capital spending plan will have on the Metropolitan Government's debt levels.

WHEREAS, at the suggestion of the State Comptroller, the Metropolitan Council adopted a Debt Management Policy for the Metropolitan Government in 2011 pursuant to Resolution No. RS2011-94; and

WHEREAS, Substitute Ordinance No. BL2017-726 added Section 5.04.105 to the Metropolitan Code to establish a requirement that the Metropolitan Government maintain a debt management policy that includes, at a minimum, the following:

- The appropriate amount of debt (by category) that should be approved in a capital spending plan;
- Multiple metrics by which the Metropolitan Government monitors, measures, and evaluates its financial condition including without limitation the amount of debt and debt service;
- A discussion of available metrics for measuring the amount of debt and debt service, and the reasons why the metrics selected for section 5.04.105(A)(2)(b) are most appropriate;
- A discussion of available metrics for measuring debt service including without limitation debt service as a percent of expenditures, revenues, property tax revenue, or per capita, and the reasons why the metrics selected for section 5.04.105 (A)(2)(b) are most appropriate;
- A discussion of what factors regarding financial performance trends, including projections of key economic variables and population trends, must be considered in determining the appropriate amount of debt to be approved in a capital spending plan;
- A discussion of the purposes for which each category of debt may be utilized;
- A discussion of what impact if any the Metropolitan Government's net pension obligation, has on the amount of debt (by category) that is advisable; and
- A discussion of what impact, if any, the Metropolitan Government's unfunded OPEB obligation has on the amount of debt (by category) that is advisable.

WHEREAS, a revised Debt Management Policy was approved by the Council in 2017 pursuant to Ordinance No. BL2017-949 to comply with the requirements of Section 5.04.105; and

WHEREAS, the Debt Management Policy provides that the debt policy guidelines outlined therein are intended to provide general direction regarding the future use and execution of debt, though the Metropolitan Government maintains the right to modify these guidelines and may make exceptions to any of them at any time to the extent that the execution of such debt achieves the Metropolitan Government's goals; and

WHEREAS, the percentage of the Metropolitan Government's operating budget allocated to the payment of debt was 11.7% in 2008, 14% in 2020, and is projected to be over 16% of the operating budget by the year 2022 if the current trend continues; and

WHEREAS, the Council recognizes the requirement and necessity of providing adequate funds annually to timely repay the Metropolitan Government's outstanding debt, but is also mindful that debt payments should not unduly burden the taxpayers; and

WHEREAS, the Council desires to be informed of certain financial metrics to ensure transparency regarding the process of evaluating new debt.

NOW THEREFORE, BE IT ENACTED BY THE COUNCIL OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY:

Section 1. Section 5.04.110 of the Metropolitan Code is hereby amended by adding the following new subsection C.:

C. In addition to the annual debt report required by this section, the Director of Finance shall provide the Metropolitan Council with a report at the time a capital spending plan initial general obligation bond resolution is filed.

Such report shall at a minimum include the following:

1. Total CSP amount
2. Annual debt requirement projections for the CSP
3. Percentage of CSP debt of general government expenditures
4. The percentage of the annual operating budget appropriated for the payment of commercial paper and general obligation bond debt service for the current fiscal year and for each of the prior five fiscal years
5. Total debt compared to assessed value after adoption of the CSP
6. Projected capital spending plan amounts for each of the next five years if known

Section 2. This ordinance shall take effect from and after its adoption, the welfare of The Metropolitan Government of Nashville and Davidson County requiring it.

### Analysis

Ordinance No. BL2017-726 added Section 5.04.105 to the Metro Code to require the Metropolitan Government to maintain a debt management policy that includes, at a minimum, the following:

- The appropriate amount of debt (by category) that should be approved in a capital spending plan;
- Multiple metrics for monitoring and evaluating Metro's financial condition, including the amount of debt and debt service;
- A discussion of available metrics for measuring the amount of debt and debt service, and the reasons why the metrics selected are most appropriate;

- A discussion of available metrics for measuring debt service including debt service as a percent of expenditures, revenues, property tax revenue, or per capita, and the reasons why the metrics selected are most appropriate;
- A discussion of what factors regarding financial performance trends, including projections of key economic variables and population trends must be considered in determining the appropriate amount of debt to be approved in a capital spending plan;
- A discussion of the purposes for which each category of debt may be utilized;
- A discussion of what impact, if any, Metro's net pension obligation, has on the amount of debt (by category) that is advisable; and
- A discussion of what impact if any Metro's unfunded other post-employment benefits (OPEB) obligation has on the amount of debt.

A revised Debt Management Policy was approved by the Council in 2017 pursuant to Ordinance No. BL2017-949 to comply with the requirements of Section 5.04.105.

This ordinance, as substituted, amends the debt reporting requirements contained in Section 5.04.110 of the Metro Code to require the Finance Director to provide the Council with a report at the time a capital spending plan is filed containing certain metrics regarding the impact the capital spending plan (CSP) will have on Metro's overall debt and operating budget. The report would include the following information:

1. Total CSP amount
2. Annual debt requirement projections for the CSP
3. Percentage of CSP debt of general government expenditures
4. The percentage of the annual operating budget appropriated for the payment of commercial paper and general obligation bond debt service for the current fiscal year and for each of the prior five fiscal years
5. Total debt compared to assessed value after adoption of the CSP
6. Projected capital spending plan amounts for each of the next five years, if known