File #: BL2021-736, **Version:** 1

A bill to be entitled: The Budget Ordinance of the Metropolitan Government of Nashville and Davidson County, Tennessee for Fiscal Year 2022.

WHEREAS, Article 6 of the Metropolitan Charter provides for the preparation of the Annual Operating Budget of the Metropolitan Government and for its submission to the Council by the Mayor not later than May 1 of each year.

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

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, 2021 and ending June 30, 2022 (hereinafter referred to as Fiscal Year 2022 and FY2022).

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 his 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 Pension 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.

The Director of Finance is hereby authorized to carry forward and allocate in FY 2022 any unencumbered and unexpended funds at June 30, 2021 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 2022 any unencumbered and unexpended funds at June 30, 2021 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 $49,560,000 is to be provided to the Hospital Authority, all of which is provided as part of this Fiscal Year 2022 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 15 days of 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, 2021 and showing each projected month through June 30, 2022;
(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 15 days of 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, 2022;
(b) the most recent month end budget to actual revenue activity with monthly projections through June 30, 2022 for revenue accounts projected by MNPS;
(c) the most recent cash flow statement showing each actual month beginning July 1, 2021 and showing each projected month through June 30, 2022;
(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 tornado, COVID-19 pandemic, and flood recovery efforts during the fiscal year, the Director of Finance is hereby authorized to provide funding approval to proceed with tornado, COVID-19 pandemic and flood related projects where reimbursement for said projects 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, conditioned on the following: (1) all such reimbursements from federal and/or state grants are submitted to the Metropolitan Council for ratification at the time the funds are awarded; and (2) the Director of Finance provides the Metropolitan Council with a monthly report detailing the expenditures and the amount of reimbursement funding received.

The Director of Finance is hereby authorized to carry forward and allocate remaining funds at June 30, 2021 and funds received during FY 2022 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, 2022. 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 operating budget of the Metropolitan Government for FY22. The budget filed by the Mayor provides for the following proposed funding:

- General Services District General Fund $1,135,502,800
- General Services District Schools Fund $1,014,661,600
- General Services District General Debt Service Fund $225,074,700
- General Services District Schools Debt Service Fund $115,942,200

TOTAL GENERAL SERVICES DISTRICT BUDGET $2,491,181,300

- Urban Services District General Fund $140,407,200
- Urban Services District General Debt Service Fund $19,053,700

TOTAL URBAN SERVICES DISTRICT BUDGET $159,460,900

TOTAL OPERATING BUDGET $2,646,580,300

The substitute budget adopted by the Council for FY21 is $2,466,262,200. The mayor's proposed budget represents an overall increase of $180,318,100 (7.3%).

The budget would not appropriate any funds from the unreserved fund balances of the primary budgetary funds. Rather, Metro would retain much healthier cash reserves of $306.4 million. Metro's established policy is to maintain a fund balance equal to or greater than 5% for each of the six 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, 2022:

- General Services District General Fund 12.7%
- General Services District Debt Service Fund 10%
- General Services District Schools Operations Fund 9.4%
- Schools Debt Service Fund 36%
- Urban Services District General Fund 6.4%
- Urban Services District Debt Service Fund 12.1%

The current FY21 property tax rate for the GSD is $3.788 per $100 of assessed value. The current rate for the USD is $0.433, giving a combined rate of $4.221. Resolution No. RS2021-932, which will be back before the Council on June 15, would adopt revised property tax rates due to this year's reassessment. Per the requirements of Tenn. Code Ann. § 67-5-1701, the certified property tax rates must be set so as to produce the same ad valorem revenue for Metro as was levied during the previous year, exclusive of new construction, improvements, and deletions. The new certified property tax rates will be $2.953 in the GSD and $0.335 in the USD, for a combined rate of $3.288.

Even with the reduction in the certified rates, growth is expected to generate new property taxes in the amount of $47.8 million over the budgeted FY21 revenue. Since the impact of COVID-19 on Metro's sales taxes has not been as great as feared, largely because of the influx of federal stimulus funds, the proposed FY22 budget includes an increase of $102.5 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 $18.6 million.

The budget also accounts for some expected revenue reductions, specifically the loss of the $35 million payment from the Convention Center Authority due to the impact of COVID-19 on their revenues, a loss of $6.9 million as a result of the elimination of the Hall Income Tax, and other revenue decreases in the amount of $14.7 million.

The proposed budget includes an increase of $32.2 million for pay plan improvements. All employees would

receive a 2% cost-of-living raise on July 1, 2021. In addition, funding is included for increment increases for all eligible employees and funding for 3% open-range pay increases, all of which would be effective on July 1, 2021. The department heads have the discretion to determine the actual raises to be given to each open-range employee. The purpose of this additional open-range funding is to provide the equivalent of a step increment for open-range employees who are otherwise ineligible for increments. The budget also includes an increase in the employee health insurance match costs from $56,455,500 to $58,162,800.

The Mayor's budget includes a $13.8 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 largest investment in the Mayor's proposed budget is for Metro Nashville Public Schools. This includes an $80.45 million increase in the amount of local funding for schools. While the Board of Education has the final say in how the appropriation for schools is spent, the Mayor's proposed budget does fully fund the budget approved by the Board.

The budget includes funding for a number of improvement requests submitted by various departments. This includes a $24.5 million increase for WeGo, $9 million for Fire and EMS operations, and $10.5 million for the Police Department, which includes the operational funding for the new southeast precinct. Other departmental improvements include:

- Codes Administration: $1.1 million for additional inspectors and other personnel
- General Services: $500,000 for two new sustainability positions and shifting four positions from capital funding to operating
- Health Department: $1.25 million for an expanded partnership with Mental Health Co-op
- Human Resources: $253,000 for the creation of an employee safety division
- Law: $307,000 for three new attorney positions
- Libraries: $835,000 for program staffing
- Mayor's Office: $116,000 for a capital performance manager position
- Parks: $2.7 million for a variety of new positions
- Planning Department: $1.3 million for a variety of new positions
- Public Works: $6 million, including $3 million for the new transportation division

The Hospital Authority would receive a subsidy from the general fund of $49,560,000, an increase of $6,447,900 over the FY21 budget. The subsidy for Bordeaux Long Term Care has been eliminated due to the closure of the facility. The subsidy for the Knowles Home assisted living facility remains flat at $2,000,000.

The Barnes Fund for Affordable Housing will receive $12.5 million as part of the continuing commitment for affordable housing.

The budget ordinance is amendable on third reading. Section 6.06 of the Metro Charter requires the Council to adopt a substitute operating budget no later than June 30th. Otherwise, the budget as originally submitted by the Mayor becomes the budget by operation of law.

Proposed Substitute Budget Analysis

The Chair of the Budget and Finance Committee is proposing a substitute budget that provides for some changes in appropriations, but does not alter the total amount of the budget or require an adjustment in the tax levy. The substitute budget would shift $13,600,000 from various sources within the GSD General Fund and allocate the funds for other uses.

The sources of funding in the substitute budget are as follows:

- $6,500,000 reduction in the Judgments and Losses fund. This fund is used to pay judgments and the settlements of claims and lawsuits against the Metropolitan Government. From an actuarial standpoint, this fund has been underfunded for years, with only $1,819,800 appropriated for the fund in the FY21 budget. The Mayor proposed increasing the appropriation for the fund to $13,314,800, which was based upon the actuary's determination of need if Metro had to pay all known claims within the fiscal year. A portion of this fund is being used in the substitute budget since it is unlikely that Metro would be required to pay all of this amount during FY22. However, if the there was a large judgment against Metro or a very large settlement that would deplete the fund, then the Council will need to replenish the fund as a supplemental appropriation from the undesignated fund balance. The Council appropriated $7,600,000 from the undesignated fund balance to the Self-Insured Liability fund (the sister fund to the Judgments and Losses Fund) in March 2021 as part of the FY21 supplemental appropriation resolution RS2021-809.
- $5,000,000 elimination of the new emergency response fund. In the event of an unbudgeted emergency event, the Council could appropriate funds from the undesignated fund balance if other funding sources were not available.
- $250,000 reduction in the contingency account for utility bill increases
- $1,000,000 elimination of the GSD/USD study*
- $100,000 elimination of a cost of service study*
- $250,000 elimination of the enterprise risk study*
- $500,000 elimination of the public property study*

* The administration has expressed a commitment to take the time to better scope and size the studies, and then bring a supplemental appropriation resolution to the Council during FY22 to fund the studies.

The uses of the $13,600,000 in the substitute budget are as follows:

- $1,149,800 to the Fire Department for 15 new fire and 10 new EMS positions starting January 1, 2022
- $170,200 to the Health Department for three new animal control positions
- $818,000 for the Mental Health Cooperative's Crisis Treatment Center
- $5,243,800 to fund the additional step pay increase and an additional 1% open range funding for employees as recommended by the Civil Service Commission
- $662,500 to the Parks Department to fund 21 new positions starting January 1, 2022, and to restore funding for recreation center programming
- $3,145,900 to Metro Nashville Public Schools. Although the Board of Education has the exclusive authority for determining how these additional funds are spent, the funding is intended for the following purposes:
    - $1,200,000 to pay for seven professional development days for paraprofessionals

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  - $1,400,000 for elementary school advocacy centers
  - $545,900 to reduce the student to psychologist ratio
- $59,100 to Metro Public Works for a full-time position at the East Convenience Center
- $644,200 to the Public Library to provide ½ year of funding for the following:
  - $381,500 to open the libraries on Fridays
  - $262,700 for curbside service
- $150,000 to Metro Social Services for two new employees in the Homeless Impact Division
- $100,000 to the Metro Arts Commission for restorative programs in cooperation with Juvenile Court
- $50,000 to Metro Human Resources for training materials
- $1,000,000 for a Cure Violence program in North Nashville
- $277,800 to the Metro Council Office for staffing, translation services, and professional development opportunities for Councilmembers
- $128,700 to the County Clerk's Office for staffing

The substitute budget includes $2,400,000 in revenue for the new Central Business Improvement District Safety and Cleanliness Fund, which was approved by the Council at the last meeting pursuant to RS2021-965. The substitute also includes an appropriation in the amount of $1,411,500 from the fund balance of the Event and Marketing Fund to be used to promote events that draw tourists to Nashville. The revenues for both of these matters are from special fees collected on the sales of goods in the downtown area, not Metro's general fund.

Pursuant to Rule 39 of the Council Rules of Procedure, no substitute budget or amendment thereto 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 14 to consider the substitute budget. The full council will consider the substitute at the regular Council meeting on June 15.