



## METRO COUNCIL OFFICE

---

---

MEMORANDUM TO: All Members of the Metropolitan Council

FROM: Margaret O. Darby, Director and Special Counsel  
Hannah Zeitlin, Assistant Legal Counsel  
Metropolitan Council Office

COUNCIL MEETING DATE: June 21, 2022

RE: Substitute Budget Analysis

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.