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METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

TO: Department Heads and Elected Officials

FROM: Jenneen Reed, Director
Department of Finance

Kristin Wilson, Chief of Operations & Performance
Office of Mayor Freddie O'Connell

SUBJECT: Fiscal Year 2026 Budget

DATE: January 13, 2025

Over the course of the next several months, we will be working closely with you and your teams to develop and advance Mayor O'Connell's proposed FY26 budget to Metro Council, in service of the continuing way that **Nashville moves, works, grows.** The following context is shaping our guidance today to you on FY26's budget development:

- The FY25 budget represented a challenging flat revenue budget for all of us. We collectively accepted budget target savings to fund a pay plan for our employees and continuity of service needs where possible. We know that it has required strong management capability from you and your teams to meet your service delivery objectives while also meeting these fiscal targets. For the first half of this current FY25, our baseline revenues and expenses have been very close to the flat trends in our forecast.
- That said, there are a few positives in front of us for FY26 already. First and foremost, thanks to your work above to maintain services while managing budget target savings, the Metro government has continued its strong fund balances, debt ratings, and other metrics important to our financial stability. Further, our financial position is being bolstered by passage of the Choose How You Move transit improvement program, which will bring dedicated revenues to support our investments in infrastructure and improve general economic prospects throughout the community.
- This is important as **we are monitoring closely emerging economic and geopolitical trends that create uncertainty regarding our revenues and expenses**. Incoming officials at other levels of government are signaling swift policy changes that have increased uncertainty as well as potential adverse pressures to our revenues and expenses. Examples include tariffs on goods and supplies that may bring inflationary pressures to the overall economy and cuts to federal programs and grants upon which local governments rely. **It's simply too early to tell exactly how these policy changes may impact our financial outlook if they materialize**.

- A factor for this year's budget will be our four-year property tax reappraisal. Davidson County properties values are appraised every four years, and due to equalization rules and other factors, an appraisal year historically has been considered the most fair and equitable time to address property tax rates. We do not expect to have an indication of rate changes, if any, until later in the year when we receive values from the Davidson County Assessor of Property and our revenue and expense forecasts are more certain.

As in past years, we will begin by building a continuity-based FY26 operating budget as a starting point and then adjusting throughout the planning process as more information becomes known to us. Also, as we did last year, we will ask you to forecast your operating needs over a multi-year horizon.

Mayor O'Connell's investment priorities within this frame will be ensuring a city that works for all Nashvillians:

- Meeting continuity of service needs, including restoration of funding starting with education and housing previously supported by federal funding (e.g., ESSER, ARPA) and ensuring appropriate pay for our employees;
- Furthering customer service, particularly by ensuring that employees have what they need to safely deliver services in ways that are accessible and helpful to all residents, including addressing language access, resolving longstanding equipment needs, and increasing enrollment in participation in great programs that you and your teams have sustained or expanded; and
- Continuing to develop promised capabilities in critical areas such as first responder co-response, customer-facing technology, and the creation of a Waste Services department.

Every year there is a collective responsibility for all of us to evaluate investments more deeply, identify possible efficiencies, and build internal capacity for meeting our investment needs. To achieve these objectives, we ask you to have the following in mind as you develop your budget opportunities and requests:

- Review current authorized levels of spending and carefully prioritize your initiatives, recognizing that investment capacity may be limited to those that are highest priority;
- Consider self-funding initiatives: review of fees and special revenues for potential increases where expenditures could be shifted to cover current or expanded program initiatives;
- Evaluate spending patterns and collect data on vacancies to seek efficiencies that can be used to support investment; and
- Develop any potential investment's impact and provide the data and metrics to support it.

Budget Submissions: Budget System Training, Baseline Budget, Investment Proposals, and Further Analysis

Metro will continue to use the Nashville Operations Revenue Budget Review Tool (NORBeRT) system for budget submissions, including initial true-up, revenue, budget modifications, capital, and 4-percent requests. Over the next two weeks, an email will be sent with instructions and links to the training manuals and videos from the Office of Management and Budget. The system will officially open on January 13th for budget submission entry.

Baseline Budgets and Projections:
Will reflect FY25 authorized budget, removing one-time funding appropriations for FY26 expenditures. Departments should carefully review and analyze all revenue opportunities. If you are aware of issues that may impact your departmental revenue projections, or if you have recommendations for adjustments to fees or other revenues, including resources required to implement them, please bring them to the attention of your OMB budget analyst.

Investment requests (proposed budget modifications):
We will again evaluate requests on a cost-benefit case basis. Please be mindful that there is no guarantee of approval due to potential uncertainty and as revenues have not yet been projected. Still, we believe it important to understand departmental operational needs to maintain operations. See budget instructions for more detailed information.

Capital Improvements Budget

As you are aware, the Planning Department coordinates the compilation of the **Capital Improvements Budget ("CIB").** Instructions regarding the process and associated deadlines will come from the Planning Department. Questions should be directed to Planning Director Lucy Kempf or Greg Claxton regarding the CIB.

Budget Schedule

Key dates include:

- Nashville Operations Revenue Budget Review Tool (NORBeRT) opens for budget submission beginning January 13th, 2025
- Submissions to NORBeRT and the Budget Equity Tool are due February 7th, 2025
- Meetings with Finance Department and Mayor's Office will be scheduled through March 2025
- Mayoral evaluation of budget submissions will occur in April 2025
- Budget filed with Metro Council by April 30, 2025
- Metro Council consideration of the budget will occur between May 1 and June 30th, 2025
- Approved budget submitted to Comptroller of the Treasury in accordance with state statute

Please reach out to us with any questions. We greatly appreciate you and your teams and look forward to a successful budget season together.