



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

TO: Department Heads and Elected Officials

FROM: Kevin Crumbo, Director
Department of Finance

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Office of Mayor Freddie O'Connell

SUBJECT: Fiscal Year 2025 Budget

DATE: January 18, 2023

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 FY25 budget to Metro Council, in service of **the way Nashville moves, works, and grows**. The following context is shaping our guidance today to you on FY25's budget development:

- Metro government is in its **strongest financial position in recent history with respect to fund balances**. An overall better-than-projected fiscal recovery from the Covid pandemic and well-managed efforts from you, your departments and offices, Finance and elected leadership over the past three years in particular have generated both stability and strength.
- This is important as we are monitoring closely **new and continued economic trends that present potential uncertainty**. Early indications of FY25 revenue are that growth is slowing and may result in a revenue forecast that is roughly flat for the year ahead. Concurrently, we continue to see escalating costs from inflation, supply chain constraints, and other pressures. We will be conferring with our counterparts at the State and elsewhere to monitor these trends and finalize our outlook in the months ahead.
- **We have opportunity to continue and improve upon recent investments**. Over the last three operating budgets, important decisions by our elected officials and strong revenue performance allowed for significant investment to be made in salary and benefits, staffing, and other resourcing to better scale our departments and offices to meet demand and the expectations of those we serve. Further work needs to be done, as prioritized by Mayor O'Connell's resident-led transition committees in the ways we move, grow and work as a city and county. However, we also note that some of the benefits of these investments have not yet all been realized, as they make their way through our operating and programs development cycles.
- Over the next three years, we will see **the conclusion of several Federal funding supports**. Of critical concern for FY25 will be the conclusion of ESSER, the program that supported MNPS covid-era recovery programs. Though initiated as one-time in nature, several piloted programs such as a-nurse-in-every-school and behavioral health supports have demonstrated favorable performance that may bring requests for long-term funding.

Consequently, we anticipate a primarily continuity-based FY25 operating budget. Mayor O'Connell's investment priorities within this frame will be:

- Maintaining careful fiscal discipline, meeting continuity-of-service needs, and ensuring a structurally-balanced budget;
- Expanding and/or adopting at scale where possible, well-evidenced, early phase programs in education, health, and behavioral health, such as our non-law enforcement behavioral crisis response program REACH and MNPS expiring Federal funded programs.
- Furthering customer service and service delivery, within the guiding principles of accessibility, transparency, accountability and coordination, as shared in the How Nashville Works Transition Committee Report [Transition Committee Reports | Nashville.gov](#); and
- Emphasizing a balanced growth approach, with focus on neighborhood needs in multi-modal transportation, safety, education, and health. In particular, transit access growth is a key multi-year initiative that will take multiple Metro departments to accomplish.

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:

- Please review current authorized levels of spending and carefully prioritize your initiatives, recognizing that investment capacity may be limited to those that are highest priority;
- Give consideration to self-funding initiatives: we will be evaluating FY23 spending patterns and collecting data on vacancies to seek efficiencies that can be used to support investment; and
- Carefully 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% 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 16th for budget submission entry.

Baseline operating budgets and revenue projections will reflect FY24 authorized budget, removing one-time funding appropriations for FY25 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. Based on early revenue projections, please be mindful that there is no guarantee of approval due to limited opportunities for improvements in the upcoming budget. Still, we believe it important to understand departmental operational needs to maintain operations. As with last year, all investment requests must be accompanied by:

- Justification:
 - Justification specifying the benefit to the public of the proposed investment. Benefits may include avoiding costs, enhancing services, or meeting compliance requirements (e.g., regulatory, contractual).
 - Statement for how the new/additional resources will expand or substitute previously allocated resources. Specific outcomes or programs should be referred for both/either the substitution and/or expansion.
- Equity Impact: The Office of Diversity, Equity, and Inclusion has asked each department to complete the newest version of the [Budget Equity Tool](#) for FY25. This tool is designed to determine the impact budget modifications will have on equitable service delivery and performance and what plans departments have to mitigate any inequitable outcomes. The Office of Diversity, Equity, and Inclusion has released a revised training video for the new tool and is available to meet with department heads and relevant employees to assist with this process.
- Performance Impact: The Office of Performance Management seeks to determine the results of investments on service delivery performance. This includes a statement of impact such as via additional metrics or modifications to capture the expected performance of the investment requested, including articulation of how this was determined and expected outcome / goal for the coming year. Additional guidance will be provided in the budget instructions.
- Vacancy Analysis: As noted above, the OMB will provide a template for departments to complete this data.
- Review of Financial Efficiencies: Self-funding initiatives will be documented during the budget process and coordinated with your department OMB analyst.

Capital Improvements Budget

As you are aware, the Planning Department coordinates the compilation of the **Capital Improvements Budget**. 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 16th, 2024
- Submissions to NORBeRT and the Budget Equity Tool are due February 09, 2024
- Meetings with Finance Department and Mayor's Office will be scheduled through March 2024
- Mayoral evaluation of budget submissions will occur in April 2024
- Budget filed with Metro Council by April 30, 2024
- Metro Council consideration of the budget will occur between May 1 and June 28, 2024
- Approved budget submitted to Comptroller of the Treasury by June 28, 2024

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