



City of Franklin, Tennessee

FY 2025 Budget

FY 2025 Revenue Model

Preliminary Revenue Assessment

FY 2019-2023 Actual Revenues

FY 2024 Budget

FY 2025 Forecast



City of Franklin, Tennessee

FY 2025 Budget - Revenue Model

Outline

- **Overview (Economic) & Assumptions**
- **All Funds Summary**
- **General Fund Summary**
- **Select Category / Fund Breakouts**
 - **General Fund (GF): Local Sales Tax**
 - **GF: State Shared Taxes**
 - **GF: Property Tax**
 - **Interest Income**
 - **Sanitation Fund**
 - **Road Impact Fund**
 - **Other Development-Related Funds**
 - **Hotel/Motel Tax Fund**
 - **Water & Sewer Fund**
- **Next Steps**



City of Franklin, Tennessee

FY 2025 Budget - Revenue Model

Overview & Assumptions

- The global, national and local economic outlook continues to be one of mixed messages and contrasting performance.**
- The last four years have been a study in contrast; consider:
 - 2020: Economic shock of pandemic closures**
 - 2021: Supply chain shortages, government stimulus, dramatic changes in worker availability & productivity**
 - 2022: Stubbornly, generationally high inflation (not seen in 40 years)**
 - 2023: Receding inflation with no loss of jobs****



City of Franklin, Tennessee

FY 2025 Budget - Revenue Model

Overview & Assumptions

So where are we *now*? Consider:

- Overall economic outlook is still the most uncertain in our professional careers
- Unemployment remains remarkably low although inflation has driven up prices at a faster rate than in the last 40 years

	November 2022	October 2023	November 2023
United States	3.4%	3.6%	3.5%
State of Tennessee	3.2%	3.6%	3.4%
Nashville MSA	2.6%	2.9%	2.7%
Williamson County	2.5%	2.7%	2.6%
City of Franklin	2.4%	2.6%	2.5%



HISTORIC
FRANKLIN
TENNESSEE

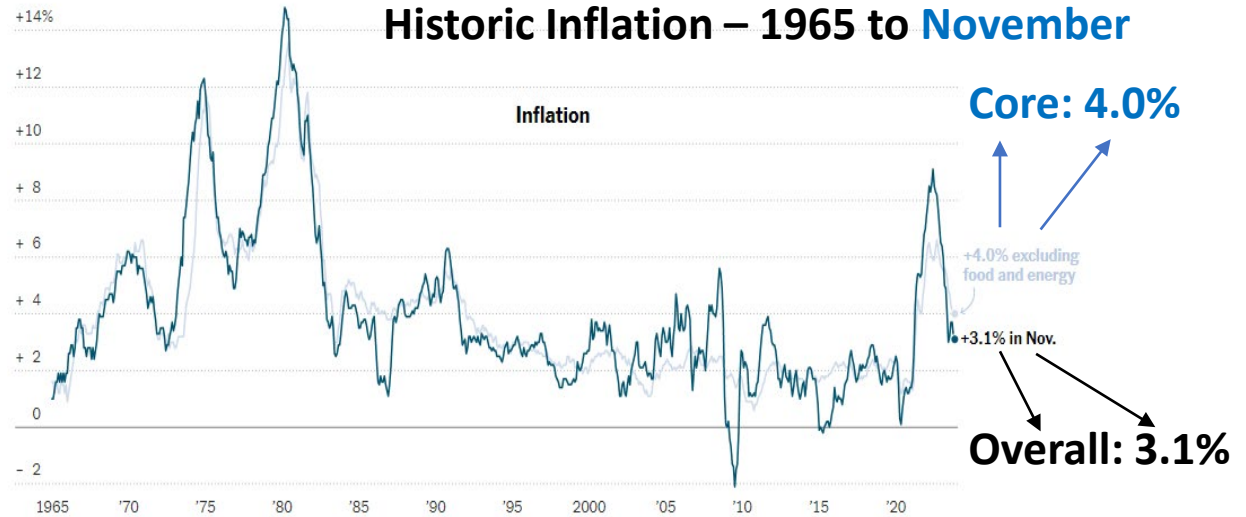
City of Franklin, Tennessee

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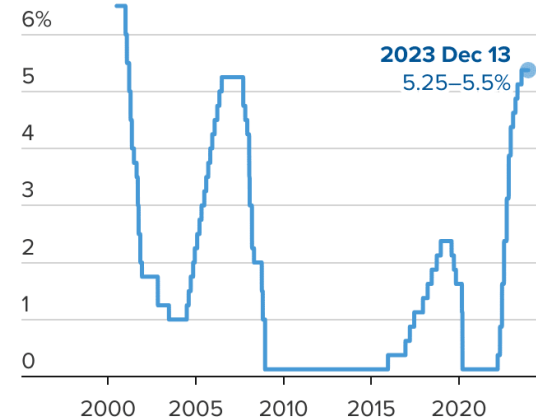
Overview & Assumptions

So where are we *now*? Consider:

- Still, millions of jobs are available - as of 11/30, 8.8 million jobs were available (*according to the Bureau of Labor Statistics*) compared to 8.7 million job openings for November 2023. An estimated 160,000 new jobs were added in December, despite layoffs occurring in certain sectors and industries with increasing frequency.
- The Federal Reserve has focused its attention over the last year increasing on controlling inflation, maintaining the current rate to 5.25-5.5%, with the goal of reaching 2% in the coming years.



Federal Funds Rate – 2000-Present





City of Franklin, Tennessee

FY 2025 Budget - Revenue Model

Overview & Assumptions

So where are we *now*? Calendar 2024 outlook indicates:

- Markets ended 2023 at all-time highs as Federal Reserve has indicated that rate hikes are over for the foreseeable future and federal funds rates will likely be reduced multiple times in 2024

- Inflationary pressures definitely remain, but are easing.
- “Soft landing” appears obtainable for the overall U.S.

Economy

- Global instability (wars in Ukraine & Israel) and the regional disruptions to supply chains around them will continue in the short-to-medium-term



City of Franklin, Tennessee

FY 2025 Budget - Revenue Model

Overview & Assumptions

So where are we *now*? Calendar 2024 outlook indicates:

- Consumer spending, 70% of total U.S. GDP (Gross Domestic Product) has remained steady despite the toll inflation took upon households in 2022 and 2023**
- Jobs outpace available workers (8.8 million jobs available vs. 6.3 million workers actively seeking jobs). Millions still “on the sideline”**
- Local economy remains overall in good shape. Jobs and people continue to relocate to Middle Tennessee and Franklin / Williamson County at a healthy clip. Known issues – affordable/workforce housing, access to education/child care, quality of the transportation network – continue to be the most important factors impacting the quality of life and local economy**



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FY 2025 Budget - Revenue Model

Overview & Assumptions

But...operational revenues by in large are stable, healthy and growing (albeit slower).

- 15 funds for which budgets are annually approved.
- Low, **medium** & high values presented.
- Preliminary Revenue Assessment is based on projections from Tennessee State Funding Board, historical performance & economic trends.
- January model is always **conservative** – future forecasts will be refined.



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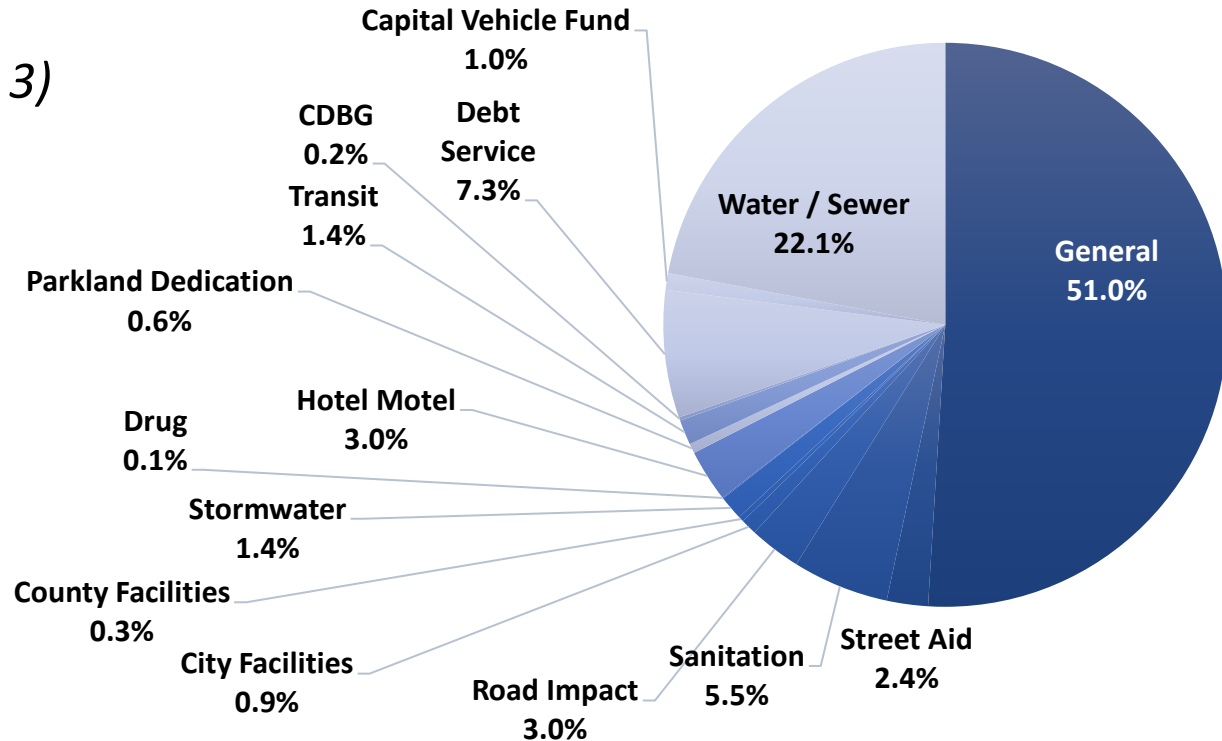
FY 2025 Budget - Revenue Model

All Funds: (pg. 3)

FY 2025:
\$208.1 M

FY 2024:
\$208.1 M

Decrease:
\$64,209
or -0.03%



Largest Fund: General Fund (51.0%)

Smallest Fund: Drug Fund (0.1%)



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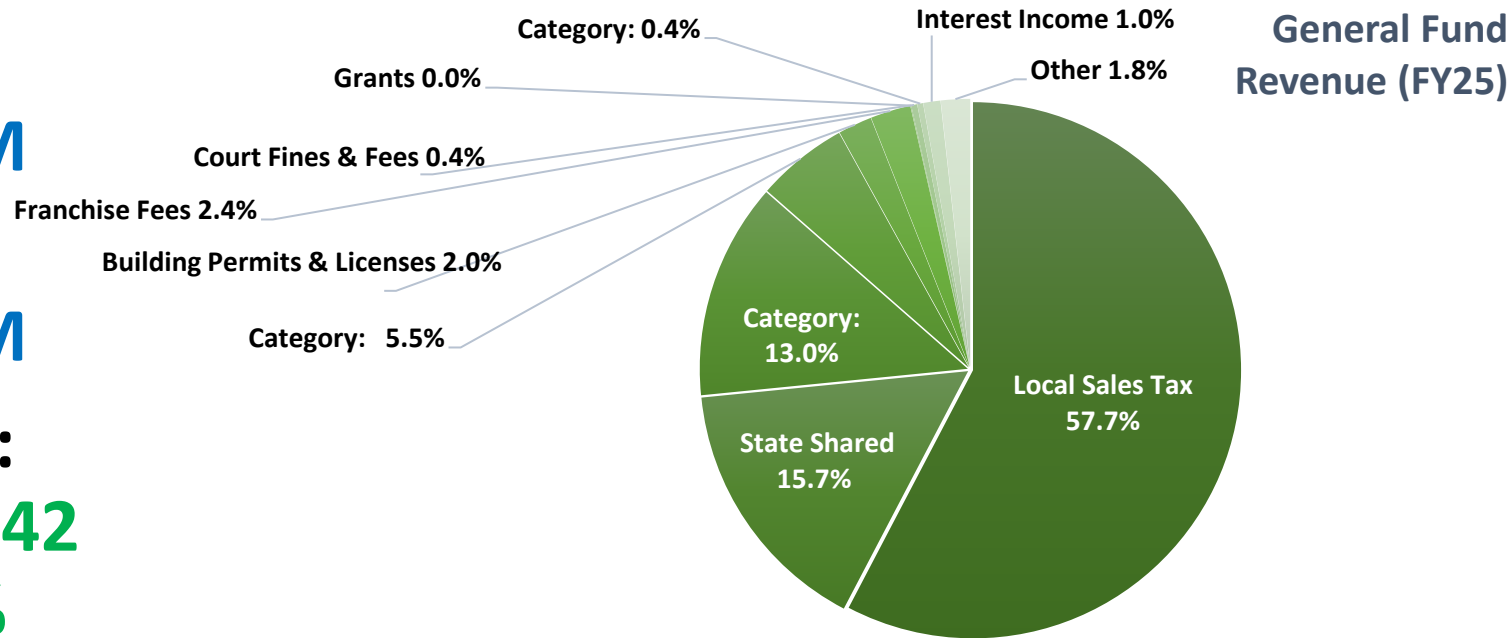
FY 2025 Budget - Revenue Model

General Fund: (pg. 4)

FY 2025:
\$106.0 M

FY 2024:
\$102.5 M

Increase:
\$3,525,542
or 3.44%



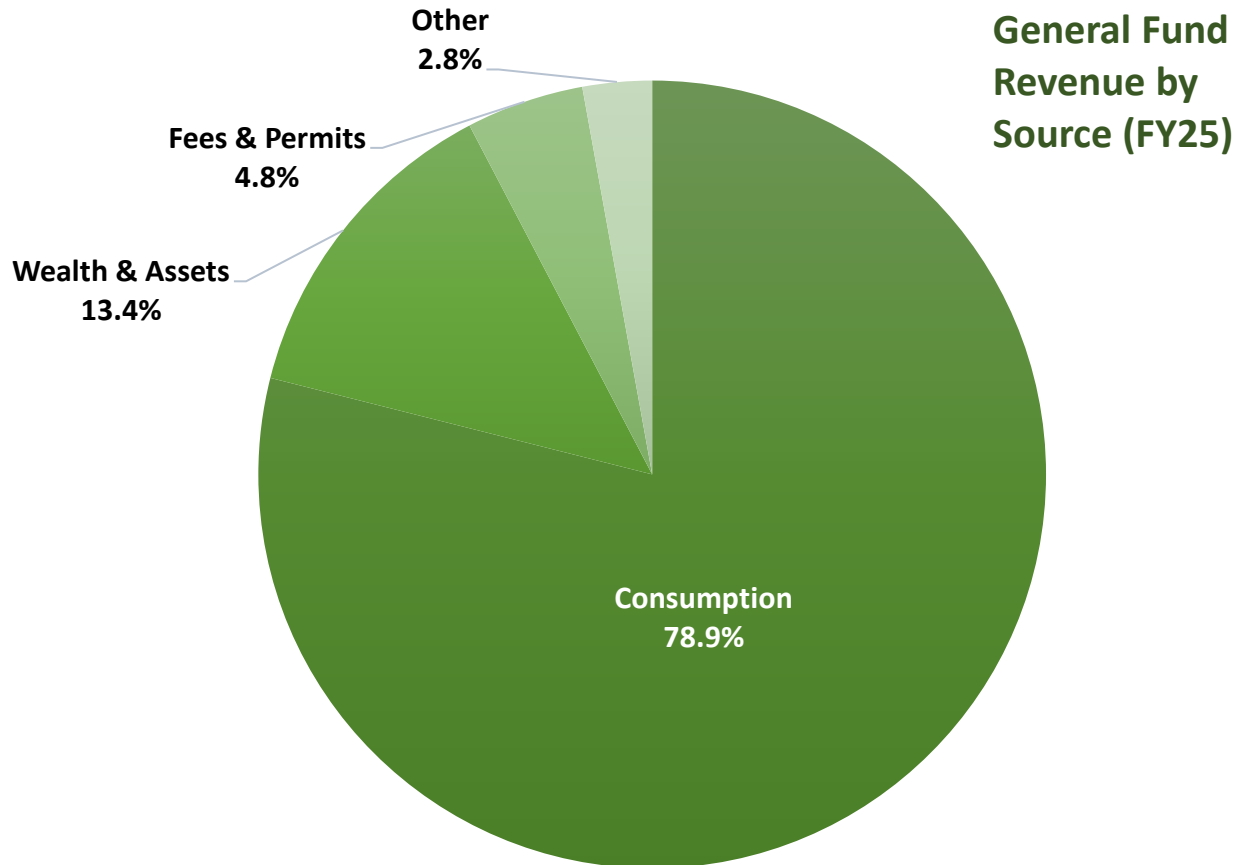
This forecast has, as always, limited FY 2024 actual collections. This will change later in the budget process.



City of Franklin, Tennessee

FY 2025 Budget - Revenue Model

General Fund: Revenue by Source (pg. 5)





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FY 2025 Budget - Revenue Model

General Fund: Local Sales Tax (pg. 6)

FY 2025: **\$61.1 M** FY 2024 Budget: **\$59.5 M**

FY 2024 Estimated: **\$59.9 M***

Increase: **\$1,624,683 – 2.73% (2% inc. from FY 2024 estimated)**

Forecast: Increase is based on three components:

- Significant inflation (3.1% for 12 months ending 11/2023 - which raises consumption tax collections)
- Continued high levels of actual collections in FY24.*
- About 4% year-over-year growth.

This projection will be revised as we get into the Spring.

**based on only 4 months of actual collections.*



City of Franklin, Tennessee

FY 2025 Budget - Revenue Model

Closer Focus: Local Sales Tax

- **On average, there is a year-over-year 4.9% increase in sales tax over the past 25 years.**
- **FY23 compared to FY22 showed an increase of 4.87% year-over-year due to steady post pandemic growth and higher than anticipated collections.**
- **The average growth rate for FY14 through FY23 was 5.7%.**
- **The State predicts a 0% to 4% increase in sales tax.**
- **The City of Franklin's local sales tax tends to mirror the State's sales tax trends.**



City of Franklin, Tennessee

FY 2025 Budget - Revenue Model

General Fund: State Shared (pg. 7)

FY 2025: \$16.7 M FY 2024 Estimate: \$15.9 M

Increase: \$723,357 or 4.53%

- YTD collections are less than projected FY 24 Budget estimates.

- FY 25 Budget estimates project ~2% growth based on State Funding Board recommendations.

Tax Name	% Increase
Sales Tax (State)	Budget 2024 + 2%
Beer Tax (State)	Estd 2024 + 1.5%
State Excise Tax - BANK	0%
Business Tax Record Fee	Estd 2024 + 3.75%
Business License (Local Share)	Estd 2024 + 2%
Business Tax (State)	Estd 2024 + 1%



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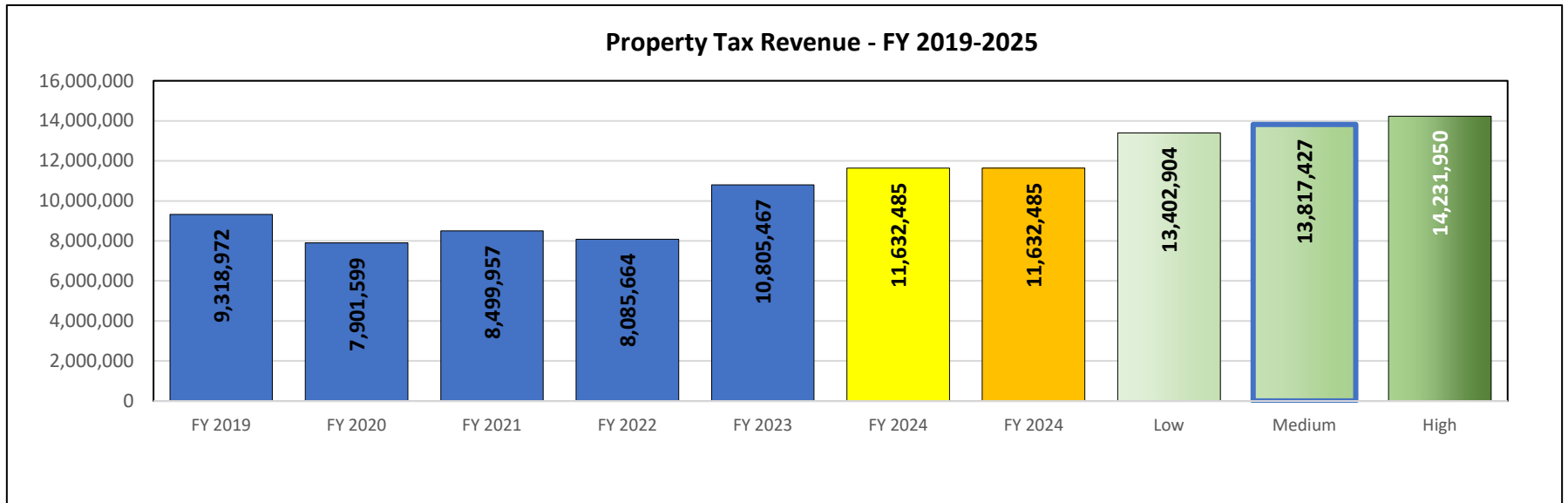
General Fund: Property Tax (pg. 8)

Total Assessment: FY 2025: **\$24.9 M** FY 2024: **\$24.2 M** (Increase of 3%)

Net General Fund Property Tax: FY 2025: **\$13.8 M** FY 2024: **\$11.6 M**

Increase: \$2,184,942 or 18.78%

Increase is due to a modest expected 3% growth in assessed tax rolls and lower debt service costs.





City of Franklin, Tennessee

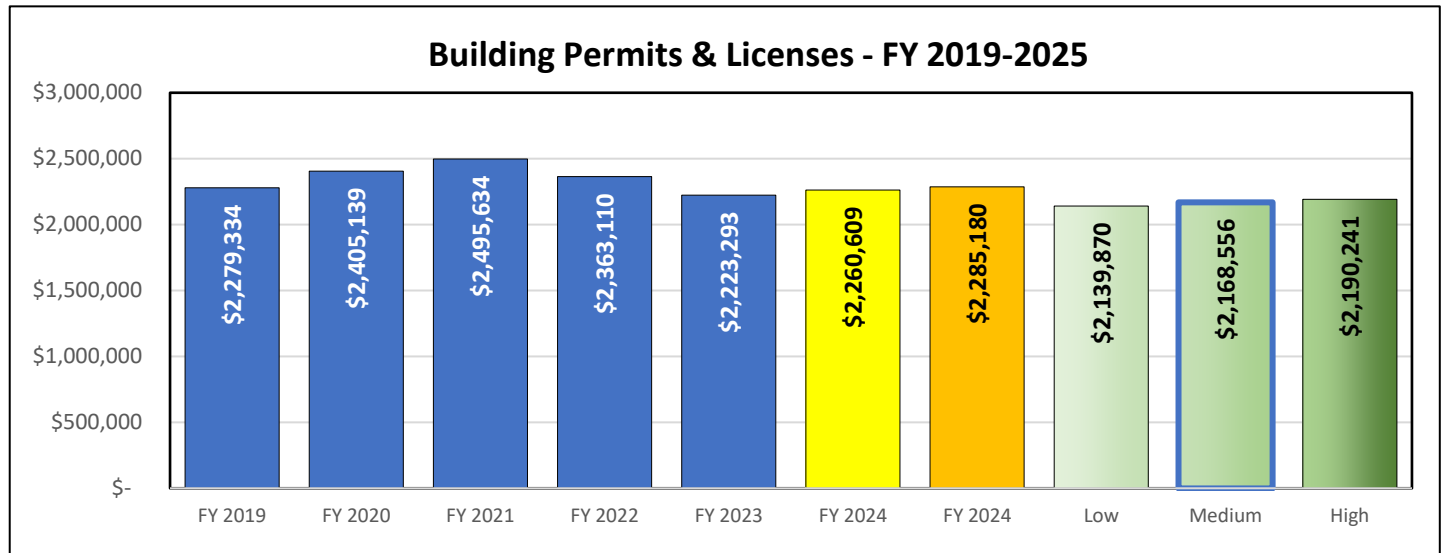
FY 2025 Budget - Revenue Model

General Fund: Building Permits & Licenses (pg. 10)

FY 2025: **\$2.16 M** FY 2024 Estimate: **\$2.28 M**

Decrease: **-\$116,624** or **(-5.1%)** *Change from an increase last year

Forecast: These revenues are *highly* dependent on development activity. Budget is slightly lower than expected FY 2024, which has shown a slowing in activity year to date.





City of Franklin, Tennessee

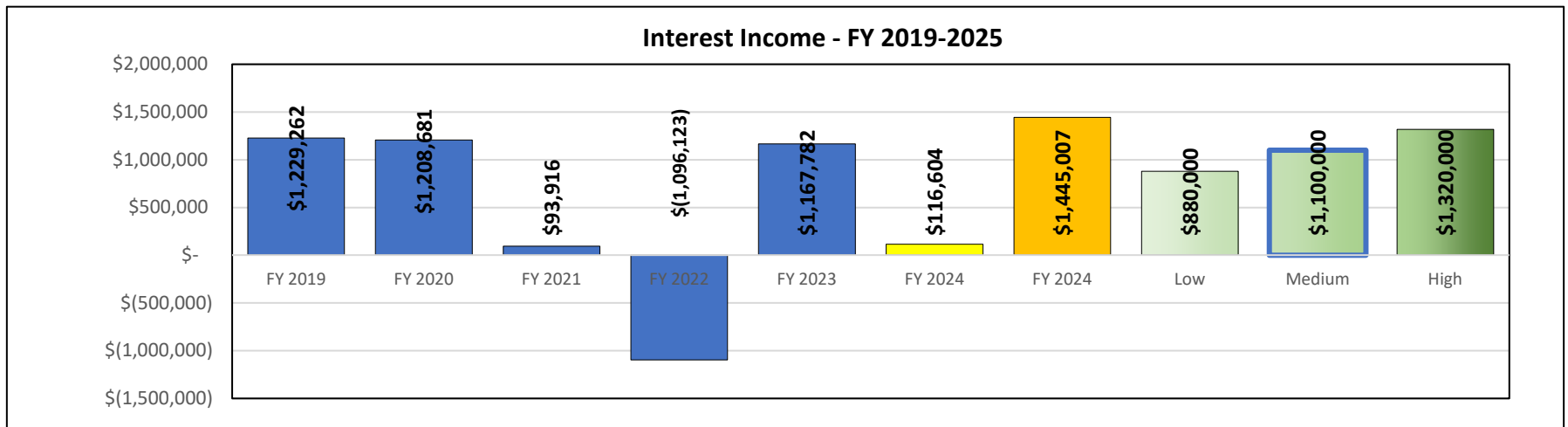
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General Fund: Interest Income (pg. 15)

FY 2025: \$1,100,000 **FY 2024 Estimate: \$1,445,007**

Decrease of \$345,007 or 24%

Interest rates increased from 2022-2023, but the City has been able to lock in higher rates on investments. The City expects healthier returns for FY2024 and FY2025. Does not include interest on investments.





City of Franklin, Tennessee

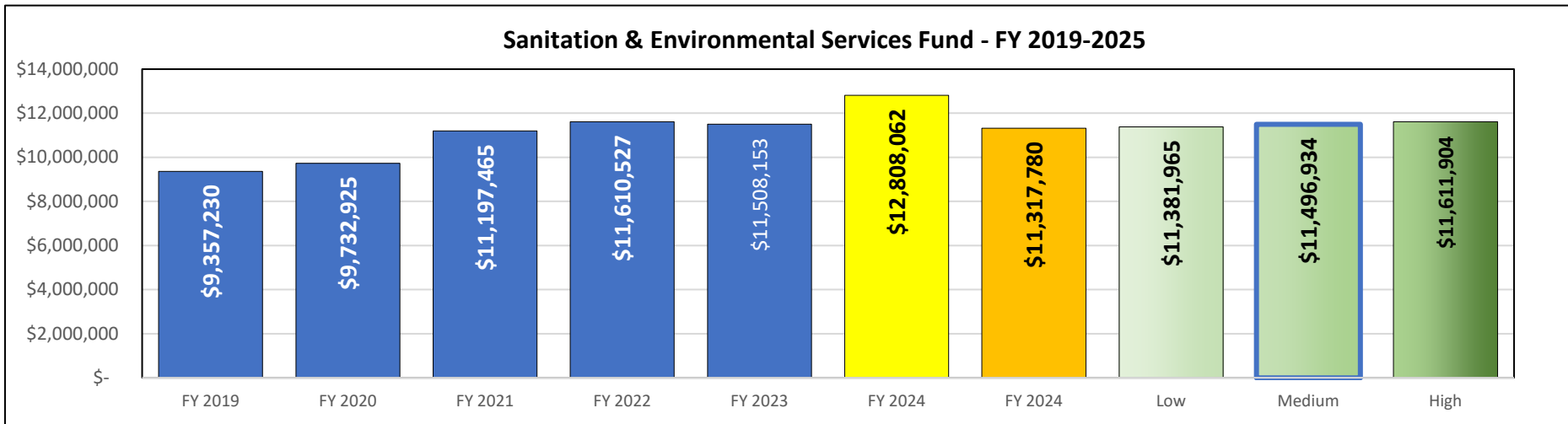
FY 2025 Budget - Revenue Model

Sanitation Fund (pg. 19)

FY 2025: \$11.5 M FY 2024 Estimate: \$11.3 M (assuming level funding)

Increase: \$179,155 or 2%

Forecast: This forecast assumes no increase in the residential collection fee at this time. A cost of service study is underway and a fee increase may come for consideration in Spring 2024.





City of Franklin, Tennessee

FY 2025 Budget - Revenue Model

Development Related Funds

- Funds include: Road Impact (pg. 20), City Facilities (pg.21), County Facilities (pg. 22) and Parkland Dedication (pg. 26)
- All funds are **heavily dependent** upon timing of new development. These forecasts could increase or decrease.
- For the purpose of this initial forecast, all four development funds are forecast at 75% of the last five-year average. This builds some degree of conservatism into the forecast as it includes the pandemic period and building slowdown.

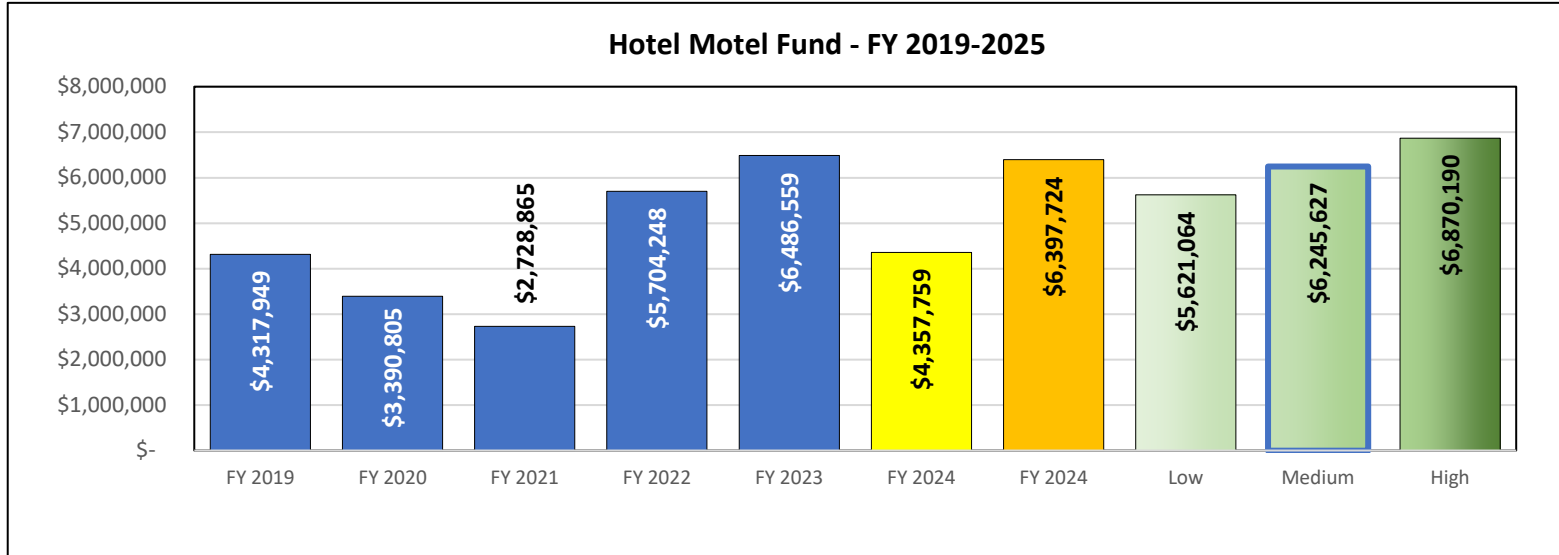


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Hotel/Motel Tax Fund (pg. 25)

FY 2025:
\$6.24 M
FY 2024
Estimate:
\$6.39 M
Decrease:
\$152,097
or 2.38%



Forecast: The Hotel-Motel Fund budget was affected more than any other fund City-wide by COVID-19 caused economic downturn. Revenues dropped in FY 2020, bottomed in FY 2021 and rebounded to record highs in FY 2023 and FY 2024. With continued healthy tourist activity, growth over budget is anticipated for FY 2025.



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Water/Sewer Fund* (pg. 30)

FY 2025:

\$45.9 M

FY 2024

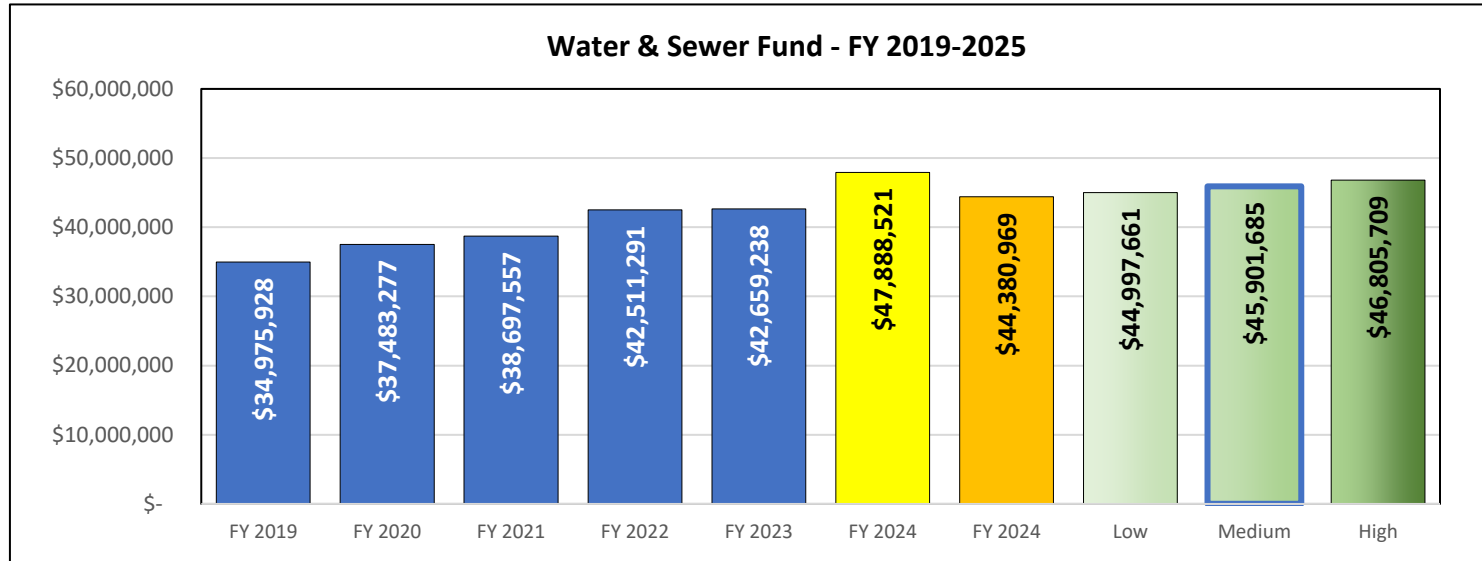
Estimate:

\$44.3 M

Increase:

\$1,520,716

or 3.43%



Forecast: FY2025 forecast assumes a full year of Impact Fees.

** (operations and impact fees only)*



City of Franklin, Tennessee

FY 2025 Budget - Revenue Model

Closing & Next Steps

- **Cautious** optimism is the dominant thought behind this revenue forecast in January. The economy has not contracted as much as feared as a result of rate hikes – to date. Many industries remain on a solid footing. As always, events out of our control temper expectations and uncertainty remains.
- **Departmental Budget Reviews** will start in February and run through March.
- **Revised revenue projections** will accompany budget recommendations in May as well as a revised five-year forecast.