



City of Franklin, Tennessee

FY 2027 Budget

FY 2027 Budget Introduction & FY 2027 Revenue Model

Preliminary Revenue Assessment

FY 2021-2025 Actual Revenues

FY 2026 Budget

FY 2027 Forecast



City of Franklin, Tennessee

FY 2027 Budget – Introduction & Revenue Model

Outline

- Revenue Model

- 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 2027 Budget – Revenue Model

FY 2027 Revenue Model



City of Franklin, Tennessee

FY 2027 Budget - Revenue Model

Economic Outlook: Overview & Assumptions

- The global, national, and local economic outlook continues to be one of mixed messages and contrasting performance.
- This decade (thus far) has 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: Generationally high inflation (not seen in 40 years)

2023: Receding inflation with no loss of jobs

2024: Inflation ebbs but remained higher than hoped; jobs remained strong despite specific industry challenges

2025: Higher unemployment with steady (albeit slowing job growth and the introduction of tariffs



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FY 2027 Budget - Revenue Model

Economic Outlook: Overview & Assumptions

👉 *Note of caution...* some of the information and data provided will not be precisely comparable to prior measurement windows due to the shutdown of the federal government from October 1 – November 12, 2025.



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FY 2027 Budget - Revenue Model

Economic Outlook: Overview & Assumptions

So where are we *now*? Consider:

- Overall economic outlook is still the most uncertain in our professional careers
- Unemployment remains historically low despite inflation and economic uncertainty from government disruption and tariffs

	November 2022	November 2023	November 2024	September 2025*
United States	3.4%	3.5%	4.0%	4.4%
State of Tennessee	3.2%	3.1%	3.5%	3.6%
Nashville MSA	2.6%	2.5%	2.9%	3.0%
Williamson County	2.5%	2.4%	2.6%	2.8%
City of Franklin	2.4%	2.3%	2.5%	2.8%



City of Franklin, Tennessee

FY 2027 Budget - Revenue Model

Economic Outlook: Overview & Assumptions

So where are we *now*? Consider:

- Millions of jobs are available - as of October, 7.67 million jobs were available (*according to the Bureau of Labor Statistics*). An estimated 64,000 new jobs were added in November (growth in health care, construction with continued declines in federal government employment).
- The Federal Reserve continues to focus attention over on controlling inflation while maintaining economic growth, further reducing the benchmark rate to 3.5-3.75% through several rate cuts in 2025. (*with the goal of reaching 2% in the coming years*).

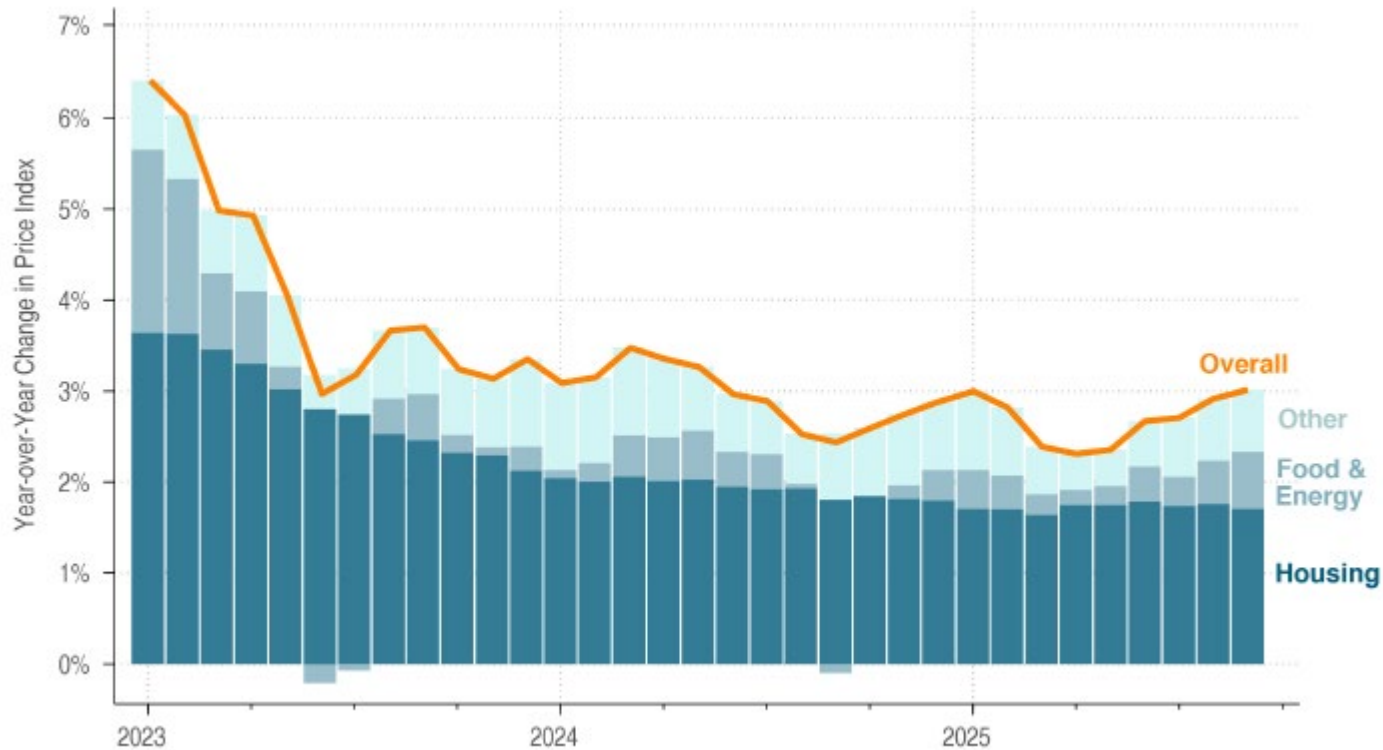


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FY 2027 Budget - Revenue Model

Economic Outlook: Overview & Assumptions

So where are we *now*? Inflation 2023-2025:



Source: Kessler, Lawrence M. et. Al. *An Economic Report to the Governor of the State of Tennessee, 2026*. December 15, 2025, Page 5.



City of Franklin, Tennessee

FY 2027 Budget - Revenue Model

Economic Outlook: Overview & Assumptions

So where are we *now*?:

- Tariffs have increased the cost of retail goods but vary greatly depending upon the type of good.
- Consumer spending, 68% of total U.S. GDP (Gross Domestic Product) has remained steady albeit down slightly despite the toll inflation & tariffs took upon households in 2022-2025 (was 70% in 2023, 67.9% as of Q3 2025 – still above average of 62% since 1947).
- Jobs no longer outpace available workers (7.18 million jobs available vs. 7.24 million workers actively seeking jobs – first time since April 2021).



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Economic Outlook: Overview & Assumptions

So where are we *now*?:

- **Markets ended 2025 near all-time highs and up significantly for the last 12 months (Dow Jones was up 13.7% 2025 vs. 2024).**
- **Mounting evidence that consumer confidence is dropping – short and long term.**
- **Capital investment and federal government spending are likely to be lower in 2026 – though slightly. The heavy investment in technology & AI, and the decreased federal incentives for manufacturing, will be the chief draws on capital investment.**



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FY 2027 Budget - Revenue Model

Economic Outlook: Overview & Assumptions

So where are we *now*? Calendar 2026 outlook indicates:

- Inflationary pressures definitely remain, but *should* be stable or decrease.
- Continued impact of tariffs will be an evolving discussion in 2026.
- Global instability (Ukraine, Iran, Venezuela) and the regional disruptions to supply chains around them will continue in the short-to-medium-term, but markets have assumed some of the instability.



City of Franklin, Tennessee

FY 2027 Budget - Revenue Model

Economic Outlook: Overview & Assumptions

So where are we *now*? Calendar 2026 outlook indicates:

- Statewide, net migration is contributing to overall population growth, but the birth rate continues to slow
- Other important industries to the state remain strong (Manufacturing, Health Care, Farming), but the uncertainty of the ever-changing automobile market (reduced growth of EV), and the impact of tariffs on foreign trade partners with Tennessee will continue to impact economic growth over the medium-term
- Long-term growth for the state may depend on the increased investment in nuclear power currently underway
 - Local economy remains overall in good shape. 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



City of Franklin, Tennessee

FY 2027 Budget - Revenue Model

Economic Outlook: Overview & Assumptions

But...operational revenues by in large are stable.

- 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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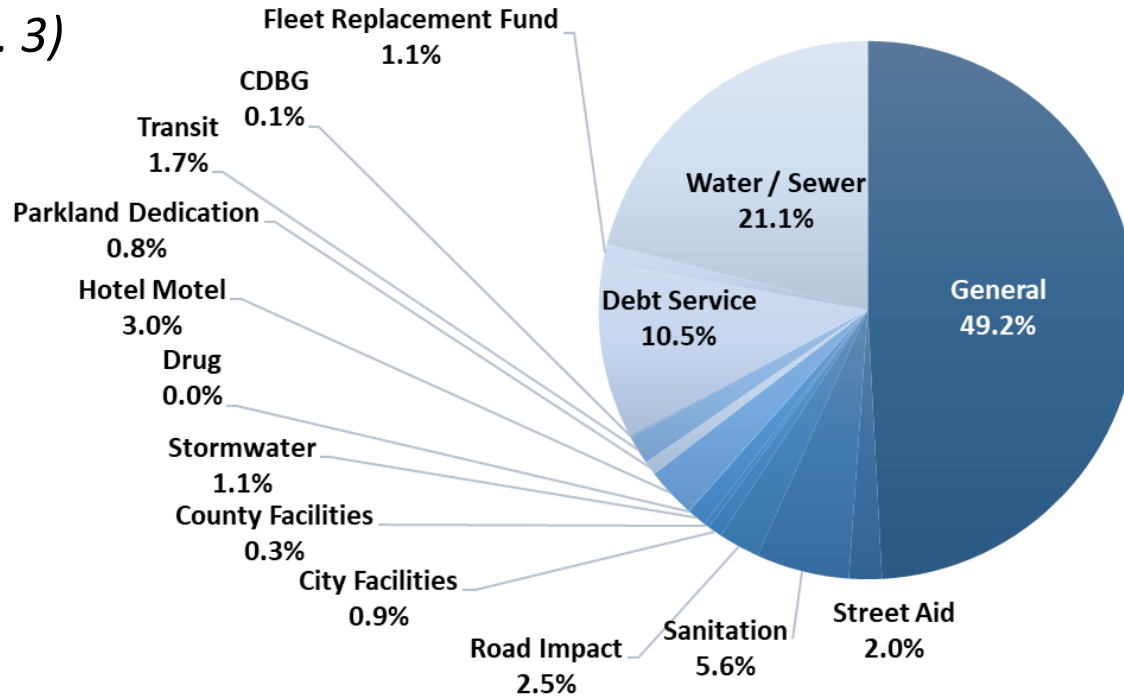
FY 2027 Budget - Revenue Model

All Funds: (pg. 3)

FY 2027:
\$252.7 M

FY 2026:
\$267.4 M

Decrease:
\$14,687,492
or -5.49%



Largest Fund: General Fund (49.2%)

Smallest Fund: Drug Fund (0.1%)



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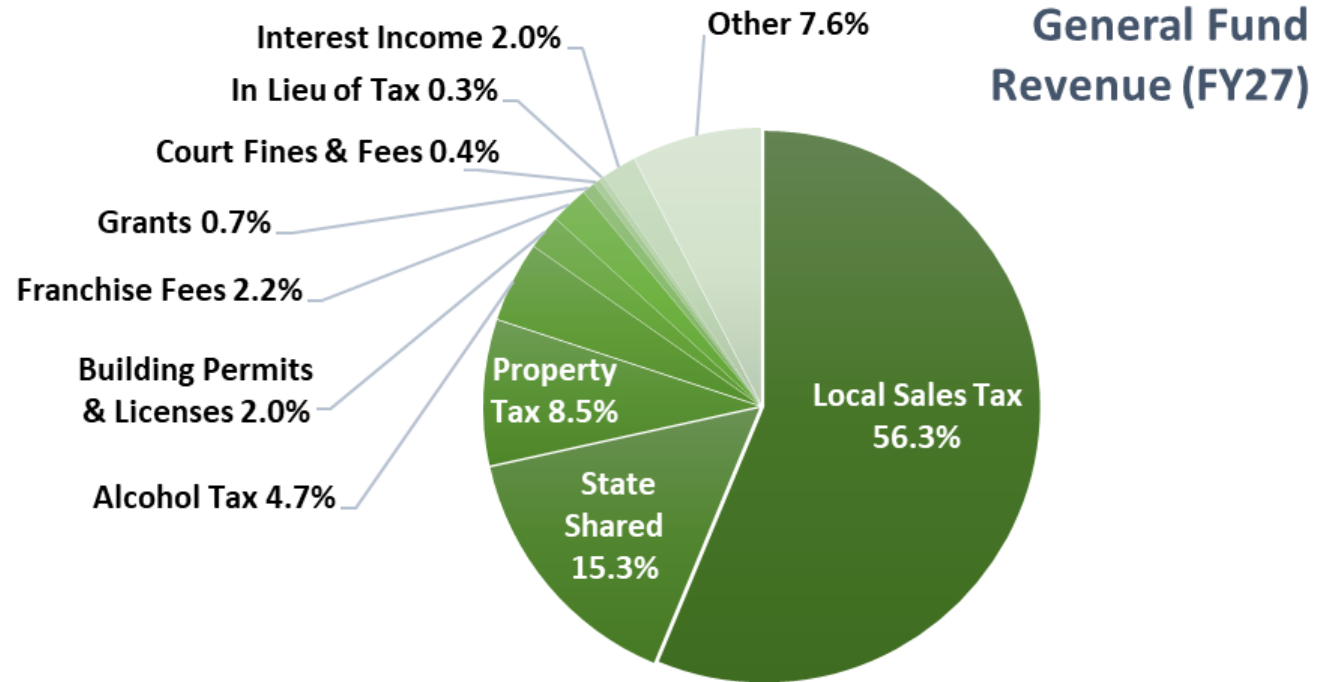
FY 2027 Budget - Revenue Model

General Fund: (pg. 4)

FY 2027:
\$124.2 M

FY 2026:
\$129.6 M

Decrease:
\$5,359,434
or -4.14%



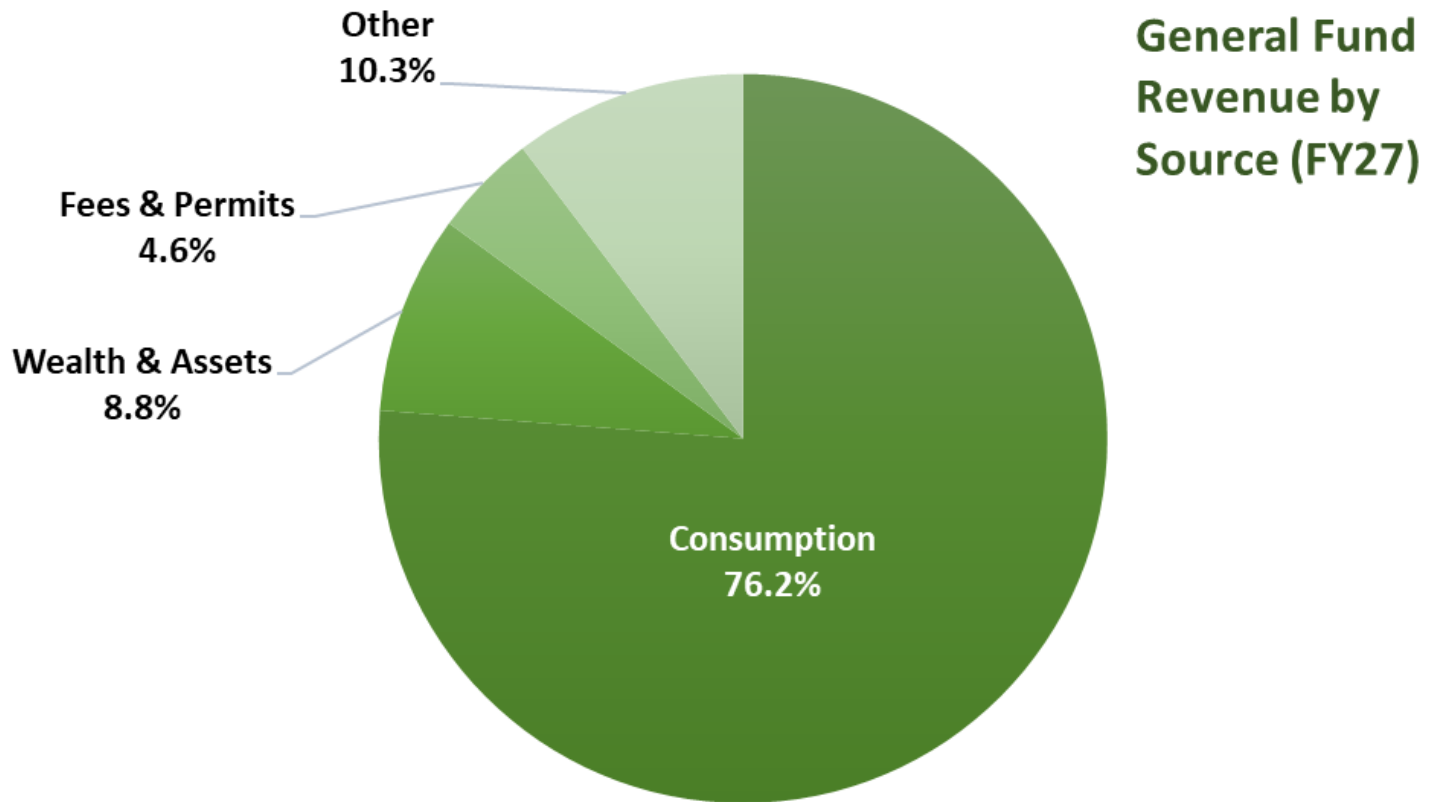
This forecast has, as always, limited FY 2026 actual collections. This will change later in the budget process.



City of Franklin, Tennessee

FY 2027 Budget - Revenue Model

General Fund: Revenue by Source (pg. 5)





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FY 2026 Budget - Revenue Model

General Fund: Local Sales Tax (pg. 6)

FY 2027: **\$69.9 M** FY 2026 Budget: **\$67 M**

FY 2026 Estimated: **\$68.2 M***

Increase: **\$2,823,495 – 4.21%** (2.5% inc. from FY 2026 est.)

Forecast: Increase is based on two main components:

- Continued high levels of actual collections in FY26.*
- About 4% year-over-year historical 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 2027 Budget - Revenue Model

Closer Focus: Local Sales Tax

- **On average, there is a year-over-year 3.98% increase in sales tax over the past 25 years.**
- **FY25 compared to FY24 showed an increase of 5.5% year-over-year due to steady growth and higher than anticipated collections.**
- **The average growth rate for FY16 through FY25 was 4.4%.**
- **The State predicts a 2% to 3% 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 2027 Budget - Revenue Model

General Fund: State Shared (pg. 7)

FY 2027: \$18.9 M FY 2026 Estimate: \$18.6 M

Increase: \$386,518 or 2.08%

- YTD collections are more than projected FY 26 Budget estimates.

- FY 27 Budget estimates project ~2% growth based on State Funding Board recommendations.

Tax Name	% Increase
Sales Tax (State)	Estd 2026 + 2.5%
Beer Tax (State)	Estd 2026 + 0.5%
State Excise Tax - BANK	5yr Avg. + 1%
Business Tax Record Fee	Estd 2026 + 2%
Business License (Local Share)	Estd 2025 + 0.5%
Business Tax (State)	Estd 2025 + 3%



City of Franklin, Tennessee

FY 2027 Budget - Revenue Model

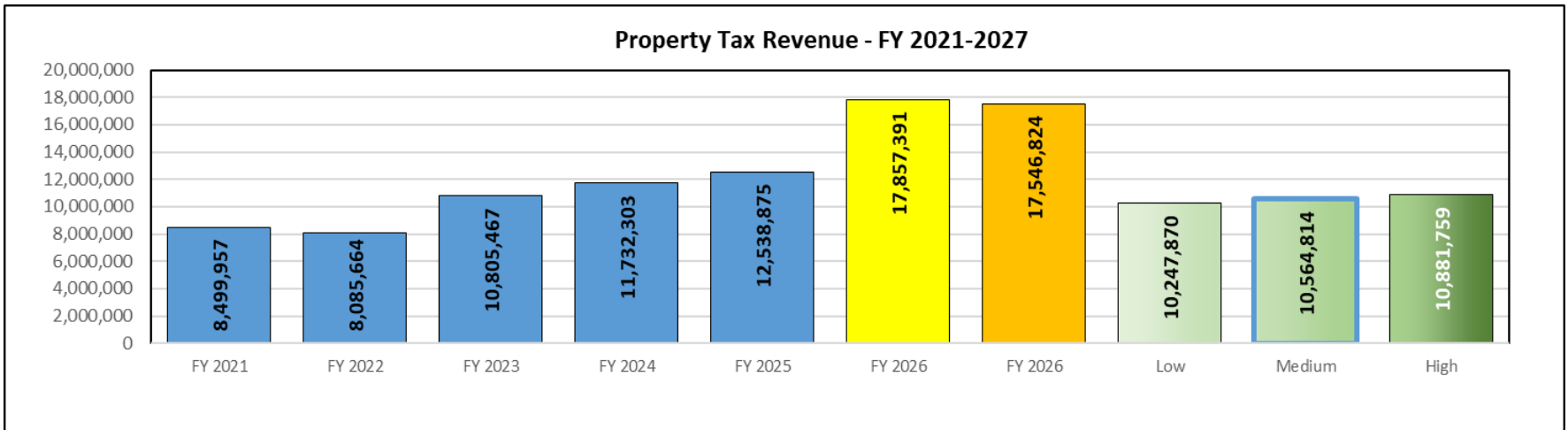
General Fund: Property Tax (pg. 8)

Total Assessment: FY 2027: \$33.2 M FY 2026: \$32.2 M (Increase of 3%)

Net General Fund Property Tax: FY 2027: \$10.5 M

FY 2026 Est.: \$17.5 M

Decrease: \$6,982,010 or -39.79% Decrease is due to higher debt service costs assumed as a result of an upcoming G.O. Bond issue.





City of Franklin, Tennessee

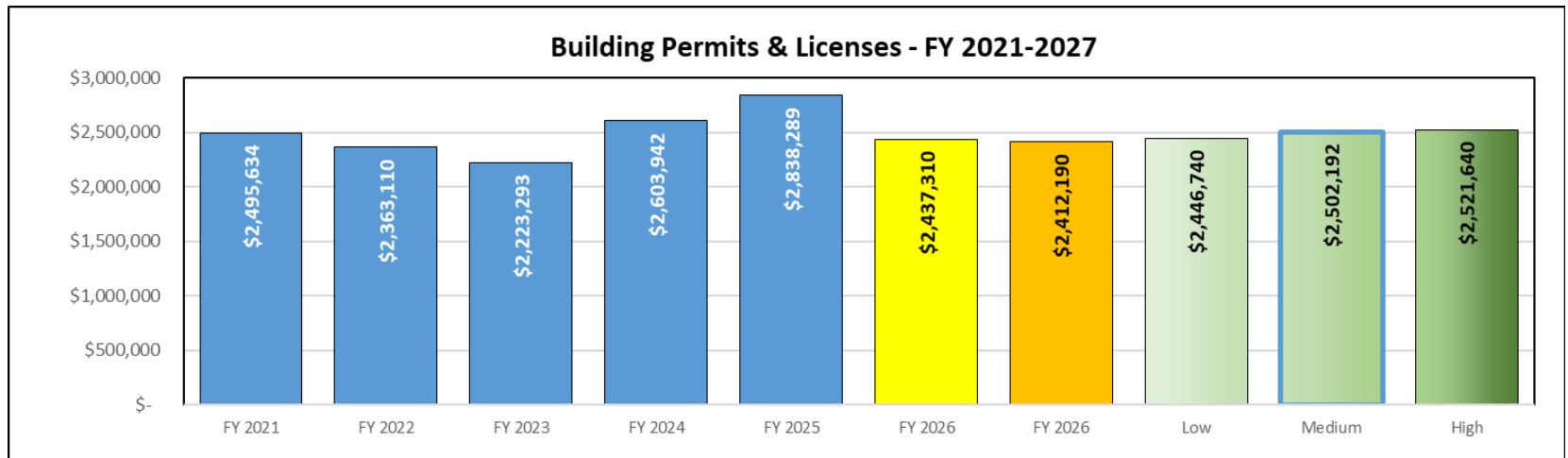
FY 2027 Budget - Revenue Model

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

FY 2027: **\$2.5 M** FY 2026 Estimate: **\$2.42 M**

Increase: **\$88,299** or **3.65%**

Forecast: These revenues are ***highly dependent*** on development activity. Budget is slightly higher than expected FY 2026, which has shown an increase in activity year to date.





City of Franklin, Tennessee

FY 2027 Budget - Revenue Model

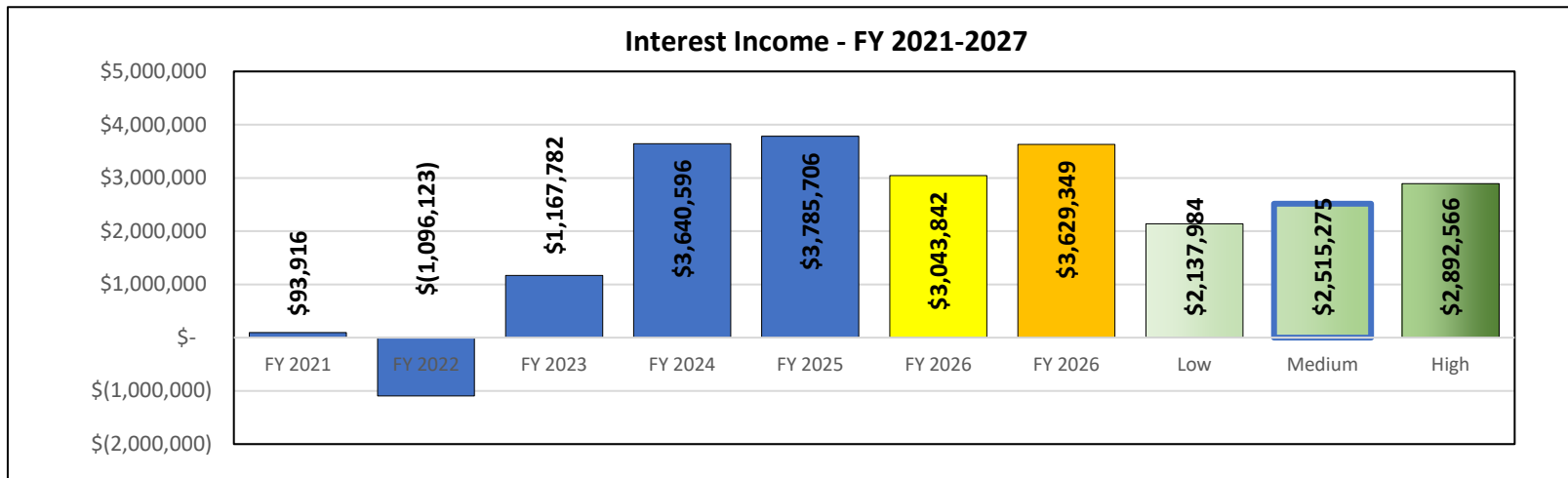
General Fund: Interest Income (pg. 15)

FY 2027: \$2.5 M **FY 2026 Estimate: \$3.63 M**

Decrease of \$1,114,074 or 31%

The City expects lower, but healthy returns for FY2026 and FY2027.

Forecasted revenues are expected to be lower because of decreased federal interest rates and decreased fund balance levels. Does not include interest on investments.





City of Franklin, Tennessee

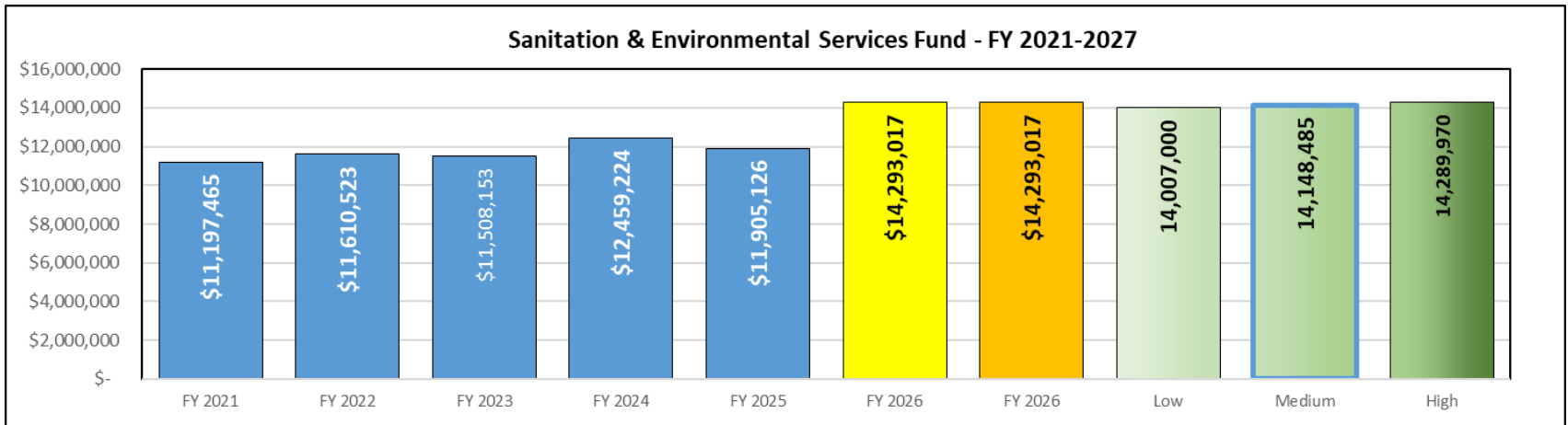
FY 2027 Budget - Revenue Model

Sanitation Fund (pg. 19)

FY 2027: \$14.1 M FY 2026 Estimate: \$14.3 M

Decrease: \$114,532 or -1.01%

Forecast: Though lower due to no use of one-time F/B, this forecast includes the rate increase approved by the BOMA effective January 1, 2026.





City of Franklin, Tennessee

FY 2027 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 75-85% of the last five-year average dependent on trends within the individual funds.**

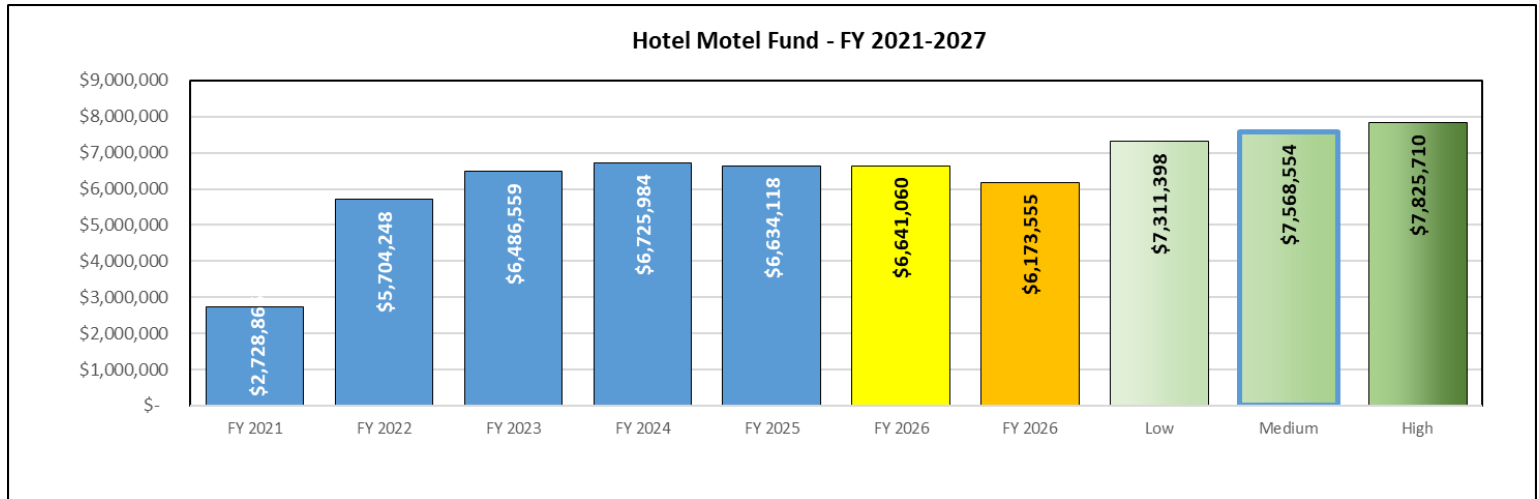


City of Franklin, Tennessee

FY 2027 Budget - Revenue Model

Hotel/Motel Tax Fund (pg. 25)

FY 2027:
\$7.57 M
FY 2026
Estimate:
\$6.17 M
Increase:
\$1,394,999
or 22.6%



Forecast: The Hotel-Motel Fund has rebounded from the effects of the pandemic and tax rate revenues are anticipated to continue gradual growth. This forecast presents a move to a 5% hotel/motel occupancy tax rate from the original 4% effective July 1, 2026.

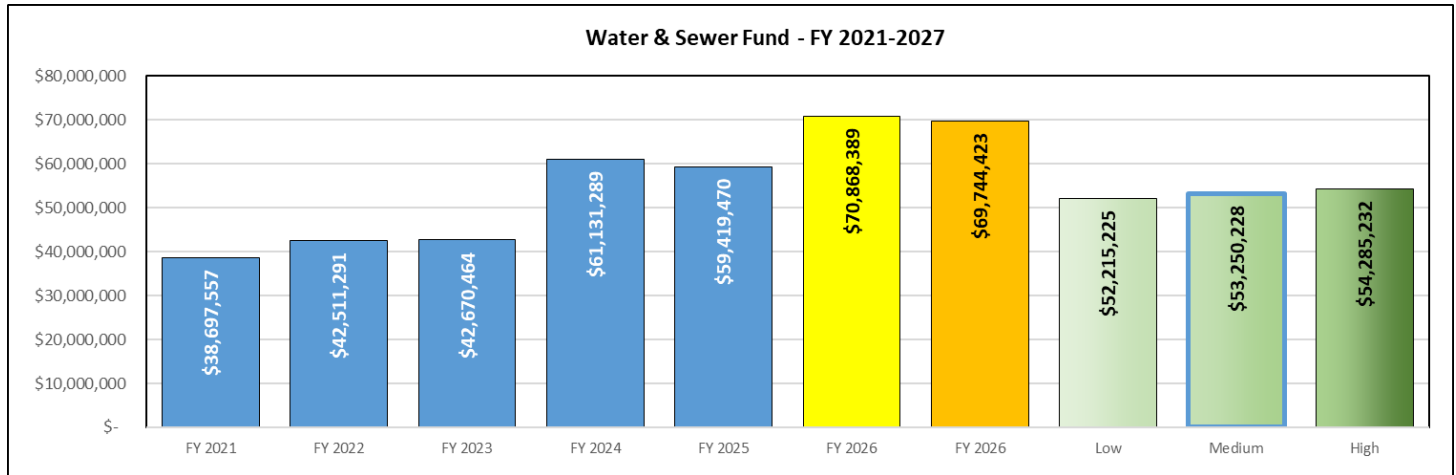


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FY 2027 Budget - Revenue Model

Water/Sewer Fund* (pg. 31)

FY 2027:
\$53.2 M
FY 2026
Estimate:
\$69.7 M



Decrease:

\$16,494,195 or -23.7% (lower grants & one-time use of F/B)

Forecast: FY2027 forecast includes currently approved Customer Service and Impact Fee rates for both Water & Sewer fees.

** (operations and impact fees only)*



City of Franklin, Tennessee

FY 2027 Budget - Revenue Model

Closing & Next Steps

- **Cautious** optimism is the dominant thought behind this revenue forecast in January. The economy has as many questions as it does answers entering 2026, but with consumer spending and unemployment still manageable and interest rates and inflation reasonable, the solid underpinnings of this period of economic stability are still there. As always, events out of our control temper expectations and uncertainty remains.
- **Departmental Budget Reviews** will start in February and run through April.
- **Revenue projections** will be revised for the May submission.