

Budget and Finance Committee

City Manager's Recommended FY 2025 Budget Update

May 28, 2024

FY 2025 Strategic Priorities



PUBLIC SAFETY & HEALTH



GROWING ECONOMIC OPPORTUNITIES



THRIVING NEIGHBORHOODS



FISCAL SUSTAINABILITY



EXCELLENT & EQUITABLE SERVICE DELIVERY

Operating Budget

General Fund Long-Term Forecast

- Due to the COVID-19 pandemic, the City's General Fund operating budget has not been structurally balanced since FY 2020. It has been balanced by relying on one-time revenue sources—primarily American Rescue Plan (ARP) resources.
- The Recommended FY 2025 General Fund Operating Budget Update is balanced, and it is structurally balanced for ongoing expenditures.
- \$25.2 million in remaining ARP resources will support one-time expenses in FY 2025 that will not reoccur in FY 2026.
- However, for FY 2026 through FY 2029 there continue to be projected deficits due to expenditures growing at a faster pace than projected revenues.
- The Administration will continue to push to find opportunities to enhance revenues, increase efficiency, and improve service delivery, and we are here to support policy conversations related to the City's Finances and the Cincinnati Futures Commission Report recommendations.

City Manager's Recommended FY 2025 All Funds Operating Budget Update

| (\$ in Millions) | FY 2024-2025 Biennial Budget | | | From Approved FY 2024 | | From Approved FY 2025 Biennial | |
|---------------------------------|------------------------------|---------------------|-------------------------------|-----------------------|-------------|--------------------------------|-------------|
| | Approved FY 2024 | Approved FY 2025 | Recommended FY 2025 Update | \$ Change | % Change | \$ Change | % Change |
| Operating Budget | | | | | | | |
| General Fund ⁽¹⁾⁽²⁾ | \$524.6 | \$524.7 | \$547.3 | \$22.7 | 4.3% | \$22.6 | 4.3% |
| Restricted Funds ⁽³⁾ | \$763.2 | \$757.8 | \$762.9 | -\$0.3 | 0.0% | \$5.1 | 0.7% |
| Grand Total | \$1,287.8 | \$1,282.5 | \$1,310.2 | \$22.4 | 1.7% | \$27.7 | 2.2% |

⁽¹⁾ The Approved FY 2024 and FY 2025 General Fund Budget includes \$20.5 million and \$20.8 million respectively in transfers out to the Cincinnati Health District Restricted Fund. Additionally, the Approved FY 2024 and FY 2025 General Fund Budget amount does not include \$4.4 million in transfer out for debt service and to other funds. The Approved FY 2024 General Fund Budget amount does not include \$2.1 million in transfers out to the balance sheet reserve account for Financial Freedom Initiatives and \$100,000 in transfers out to the General Capital Budget for lighting of the Wasson Way Trail.

⁽²⁾ The Recommended FY 2025 General Fund Budget Update amount includes \$21.3 million respectively in Health Department funding that is now in the Cincinnati Health District Restricted Fund. Additionally, the Recommended FY 2025 General Fund Budget Update amount does not include \$17.6 million in transfers out to the General Fund Capital Budget or \$5.1 million in transfers out for debt service and to other funds.

⁽³⁾ The Recommended FY 2025 Restricted Funds Budget Update amount does not include \$21.3 in Health Department funding that is now in the Cincinnati Health District Restricted Fund.

Balancing the FY 2025 General Fund Budget

- For the past several years, the City's continuation budget at the time of the Tentative Tax Budget (TTB) has resulted in a projected budget deficit ranging from \$18 million to \$30 million.
- For FY 2025, the continuation budget deficit was estimated at \$26.4 million at the time of the TTB, of which \$25.2 million was eliminated due to the inclusion of ARP resources, leaving a net deficit of \$1.2 million.
- Material changes have occurred since the TTB in December 2023.

Balancing the FY 2025 General Fund Budget

Revenue Increases (\$32.9 million):

- \$9.6 million of increased Property Tax Revenue due to the Hamilton County sexennial property value reassessments.
- \$8.7 million of increased City Income Tax Revenue due to a better than projected economy.
- \$14.6 million of increased Miscellaneous Revenue (including Admission Tax, Short Term Rental Excise Tax, increased building and permit fees) due to adjustments based on current year trends and a rigorous Administration review of revenue enhancement opportunities.

Total Use of ARP (\$25.2 million) to Support:

- \$7.6 million: One-time Operating Budget Expenses
- \$17.6 million: One-time General Capital Expenses

Balancing the FY 2025 General Fund Budget

Expenditure Reductions (\$5.3 million):

- \$3.1 million: Timing of Fire Recruit Classes (one class in FY 2025 and two classes in FY 2026)
- \$1.7 million: Employee Health Care Savings – Planned for a 5.0% increase in CY 2025. Revised estimates show no increase from CY 2023 or CY 2024 premiums.
- \$0.3 million: Miscellaneous Non-Personnel Reductions
- \$0.1 million: Increased Reimbursements (Emergency Communications Center from 9-1-1 Cell Phone Fees Fund)
- \$0.1 million: Position Vacancy Savings (Buildings & Inspections Building Inspector Training Academy)

Balancing the FY 2025 General Fund Budget

Expenditure Increases (\$19.4 million):

- \$4.7 million: One-Time Department Exceptions – Public Safety Facilities Master Plan, Plan Cincinnati Refresh, Urban League Minority Business Program, etc.
- \$4.1 million: Reserve for Contingencies
- \$4.9 million: Ongoing Department Exceptions – City Mediation Program, Neighborhood Catalytic Capital Improvement Program (NCCIP), Strategic Code Enforcement Unit Essential Services Program, etc.
- \$4.3 million: Staffing Net of Reimbursements
- \$1.0 million: Information Technology
- \$0.4 million: Reversal of Credit to Expense

Balancing the FY 2025 General Fund Budget

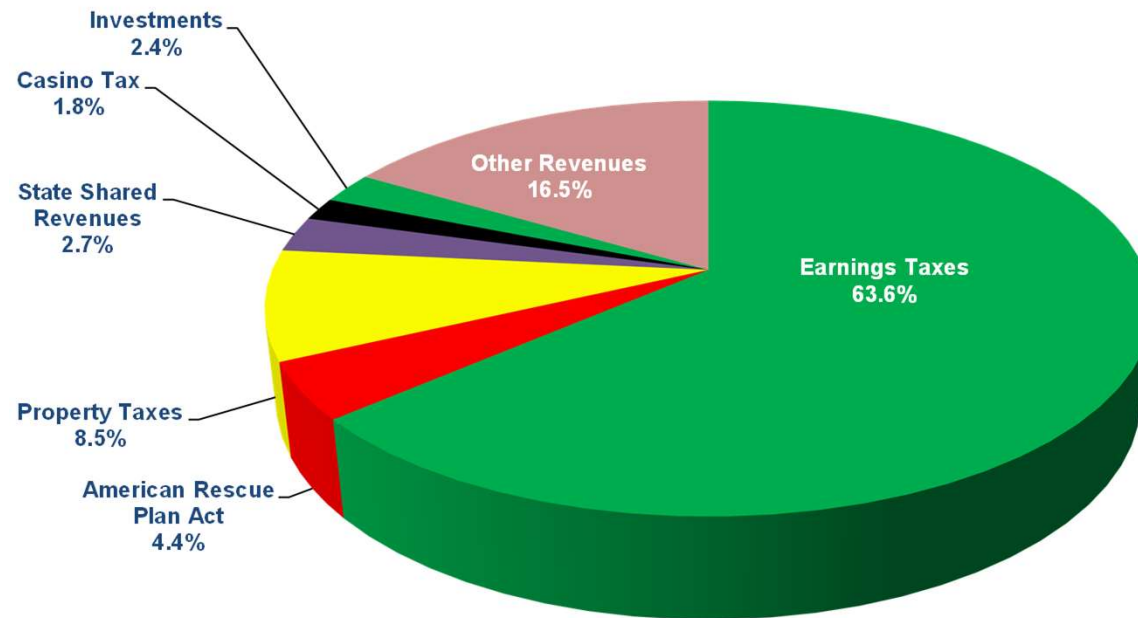
Expenditure Increases (continued):

- \$17.6 million: Transfer Out to the Capital Budget for One-time Expenses
 - Community & Economic Development – \$8.85 million
 - Green Cincinnati Sustainability Initiatives – \$5.0 million
 - Fleet Replacements – \$2.0 million
 - Lunken Airport Facilities Upgrades – \$1.0 million
 - Information Technology – \$750,000

OPERATING BUDGET UPDATE

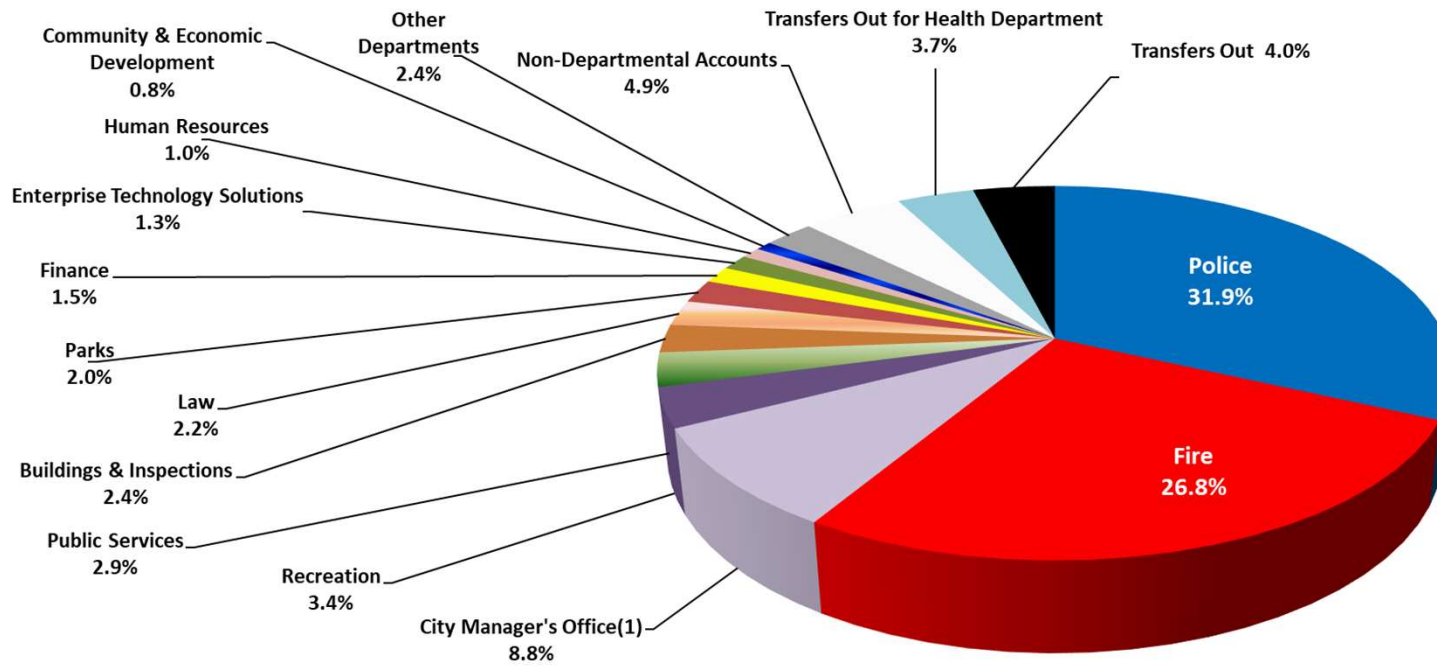
FY 2025 General Fund Revenue

\$570.0 million



OPERATING BUDGET UPDATE

General Fund Expenditures – \$570.0 million

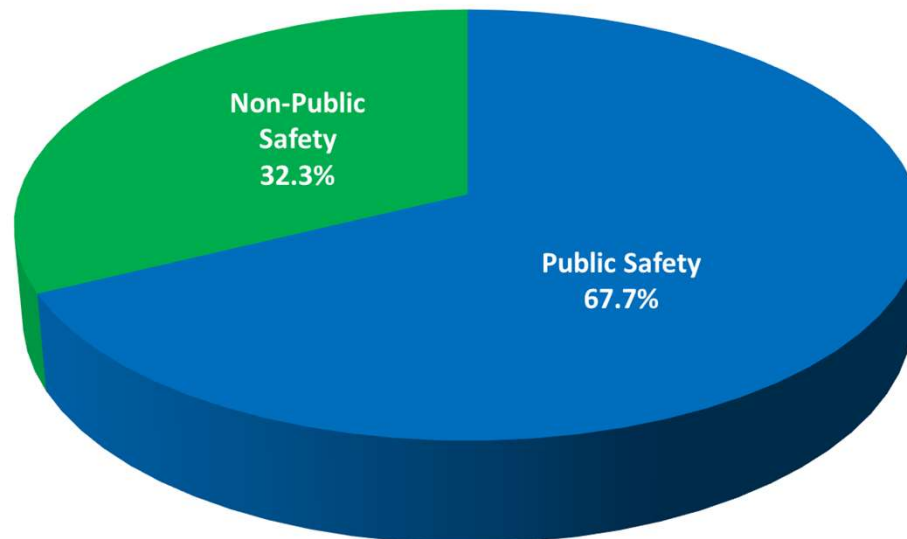


*Other Departments include Transportation and Engineering, City Council, City Planning & Engagement, Economic Inclusion, Citizen Complaint Authority, Office of the Mayor, and Clerk of Council.
 (1) CMO includes the Emergency Communications Center

OPERATING BUDGET UPDATE

General Fund Expenditures*

Where does the money go?
Public Safety and Non-Public Safety

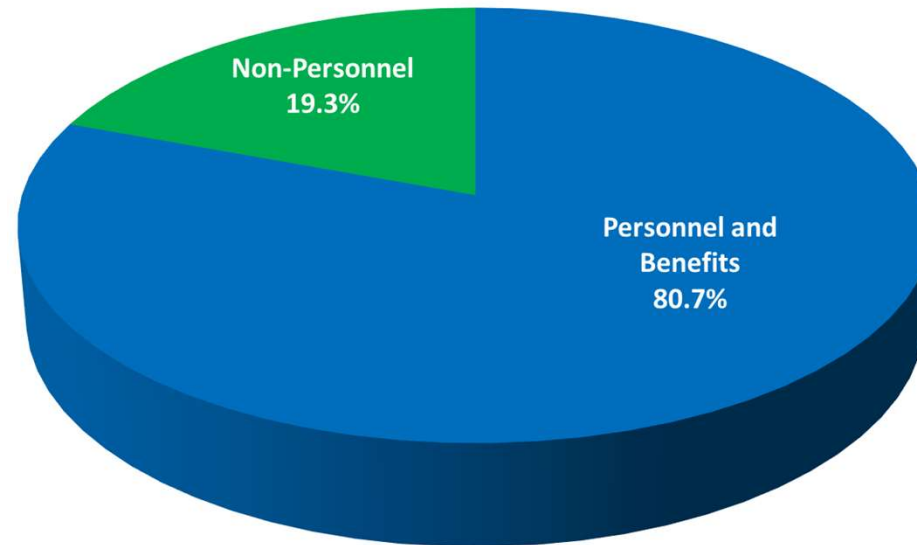


*The Transfer Out for the Health Department is reflected here based on the budgeted expenses for the Health Department within these categories. Non-Departmental Accounts are not included.

OPERATING BUDGET UPDATE

General Fund Expenditures*

Where does the money go?
Personnel and Non-Personnel

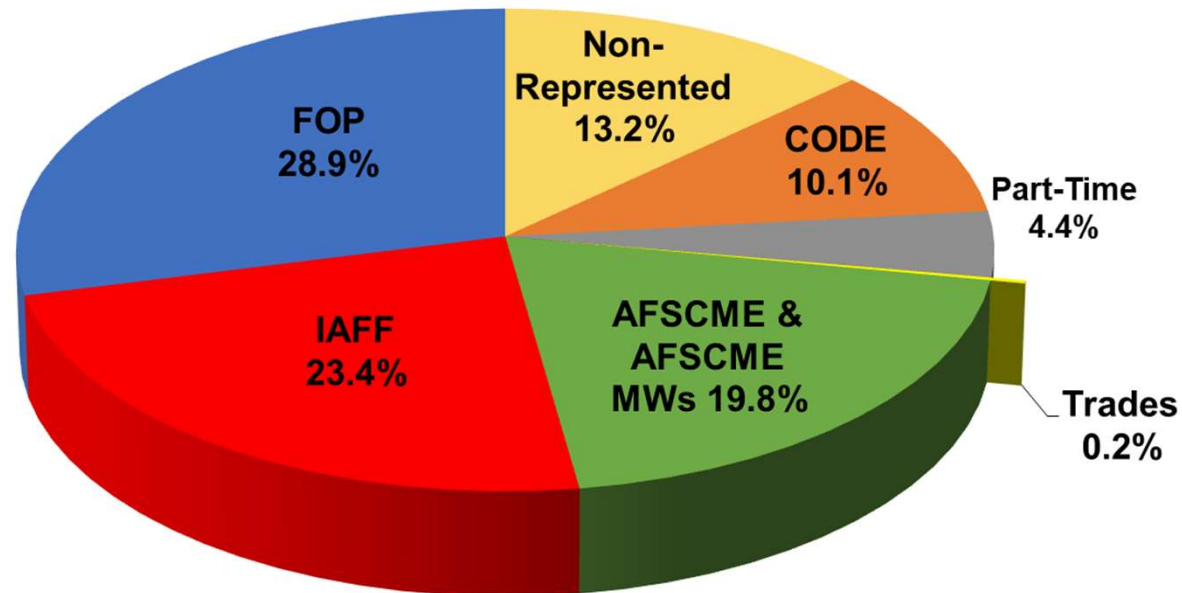


*The Transfer Out for the Health Department is reflected here based on the budgeted expenses for the Health Department within these categories

OPERATING BUDGET UPDATE

General Fund Staffing*

Personnel expenses represent 80.7% of the General Fund Budget with 82.7% of employees represented by labor contracts.



*The Health Department FTEs budgeted as part of the Transfer Out are included within these categories.

OPERATING BUDGET UPDATE

General Fund Staffing: Public Safety

- Cincinnati Police Department Recruit Classes:
 - 50 member class to graduate August 2024
 - 50 member class to start October 2024
 - 50 member class to start May 2025
- Cincinnati Fire Department Recruit Classes:
 - 50 member class to graduate September 2024
 - 50 member class to start October 2024
- Police adds 7.0 FTE as part of their civilianization plan

OPERATING BUDGET UPDATE

General Fund Staffing: Fire

Fire Sworn FTE Estimates

| Sworn FTE | July 2024 | September 2024 Fire Recruit Class Graduation | March 2025 Fire Recruit Class Graduation | June 2025 |
|-----------|-----------|--|--|-----------|
| FIRE | 829 | 868 | 895 | 883 |

- Estimates provided for start and end of fiscal year as well as months with expected recruit class graduation less expected attrition.
- After graduation of the class in September, Fire will be slightly over their budgeted sworn strength of 859 FTEs.
- Class size and timing was carefully designed based on projected employee attrition and to balance overtime needs.
- Budgeted overtime for Fire in FY 2025 is \$10,317,350.
- Both staffing levels and overtime needs will be closely monitored in FY 2025.

OPERATING BUDGET UPDATE

General Fund Staffing: Police

Police Sworn FTE Estimates

| Sworn FTE | July 2024 | August 2024 Police Recruit Class Graduation | May 2025 Police Recruit Class Graduation | June 2025 |
|-----------|-----------|---|--|-----------|
| POLICE | 917 | 961 | 982 | 978 |

Estimates provided for start and end of fiscal year as well as months with expected recruit class graduation less expected attrition

- Even with two 50-person recruit classes, it is projected that CPD will continue to be below their budgeted sworn strength of 1,059 FTEs.
- This is due to projected continued high attrition combined with recruitment challenges.
- Challenges in police officer recruitment are a national trend, and the Administration will continue to work on improving recruitment efforts to attract additional officers in FY 2025 and retain existing officers.
- Budgeted overtime for CPD in FY 2025 is \$9,512,564.

OPERATING BUDGET UPDATE

General Fund Expenditure Highlights: Leveraged Support

- Definition of Leveraged Support: *Financial Support from the City of Cincinnati to an external private organization (i) as general operating support to fund their work with the City or (ii) as funding for a specific program aimed at addressing a public need in the City.*
- The Administration continued competitive application process for leveraged support recommendations this year.
- Minimum Eligibility Criteria:
 - **Existing Organization** – Three years of audited financial statements.
 - **Amount** – Between \$50,000 and \$500,000 with exceptions for extraordinary circumstances.
 - **Services** – Must directly benefit City residents under one of the identified categories.

OPERATING BUDGET UPDATE

General Fund Expenditure Highlights: Leveraged Support

- Application portal opened on February 12, 2024 and closed on March 24, 2024. The City received 168 applications from 155 applicants.
- Applications were scored by staff utilizing the following criteria:
 - Alignment with City Priorities
 - Funding Proposal Clarity
 - Demonstrated Expertise (Including Prior Year Performance)
 - Clear Key Performance Indicators
 - Budget Diversity
- Recommendations for \$4.0 million in leveraged support to 31 organizations, made based on application scoring and City funding from current and previous years.

OPERATING BUDGET UPDATE

General Fund Expenditure Highlights: Leveraged Support

| Leveraged Support Category and Recipients | City Manager Recommended FY 2025 Budget Update |
|--|--|
| Arts | |
| Art Opportunities, Inc. (dba ArtWorks) | \$150,000 |
| Cincinnati Institute of Fine Arts (dba ArtsWave) | \$50,000 |
| Q-Kidz | \$50,000 |
| The Children's Theatre of Cincinnati, Inc. | \$50,000 |
| Total Arts | \$300,000 |
| | |
| Economic Development and Neighborhood Support | |
| All-In Cincinnati Equity Coalition | \$50,000 |
| Cincinnati Compass | \$50,000 |
| CincyTech | \$100,000 |
| Cintrifuse | \$200,000 |
| Greater Cincinnati & Northern Kentucky Film Commission (dba Film Cincinnati) | \$50,000 |
| MORTAR Cincinnati | \$50,000 |
| REDI Cincinnati | \$250,000 |
| Total Economic Development and Neighborhood Support | \$750,000 |

OPERATING BUDGET UPDATE

General Fund Expenditure Highlights: Leveraged Support

| Leveraged Support Category and Recipients | City Manager Recommended FY 2025 Budget Update |
|---|--|
| Environment | |
| Keep Cincinnati Beautiful (KCB) | \$275,000 |
| Green Umbrella | \$100,000 |
| Total Environment | \$375,000 |
| Equity and Inclusion | |
| Greater Cincinnati and Northern Kentucky African American Chamber of Commerce | \$350,000 |
| Joy Outdoor Education Center (dba Camp Joy) | \$75,000 |
| Santa Maria Community Services | \$125,000 |
| Total Equity and Inclusion | \$550,000 |
| Homelessness and Eviction Prevention | |
| Bethany House Services | \$100,000 |
| Cincinnati Center City Development (3CDC) | \$75,000 |
| Cincinnati Public Schools (CPS) Project Connect | \$100,000 |
| Lighthouse Youth & Family Services, Inc. (dba Lighthouse Youth & Family Services) | \$125,000 |
| Shelterhouse Volunteer Group | \$325,000 |
| St. Vincent de Paul District Council of Cincinnati | \$150,000 |
| Total Homelessness and Eviction Prevention | \$875,000 |

OPERATING BUDGET

General Fund Expenditure Highlights: Leveraged Support

| Leveraged Support Category and Recipients | City Manager Recommended FY 2025 Budget Update |
|--|---|
| Human Services and Violence Prevention | |
| Center for Addiction Treatment | \$100,000 |
| Center for Closing the Health Gap | \$500,000 |
| Immigrant and Refugee Law Center | \$50,000 |
| Produce Perks Midwest, Inc. | \$75,000 |
| La Soupe, Inc. | \$50,000 |
| Urban League of Greater Southwestern Ohio | \$100,000 |
| Total Human Services and Violence Prevention | \$875,000 |
| Workforce Programming and Poverty Reduction | |
| Cincinnati Works, Inc. | \$175,000 |
| The Literacy Lab | \$50,000 |
| YWCA of Greater Cincinnati | \$50,000 |
| Total Workforce Programming and Poverty Reduction | \$275,000 |
| Grand Total | \$4,000,000 |

OPERATING BUDGET UPDATE

General Fund Expenditure Highlights:

Human Services and City Operations Program Support

- Leveraged support definition does not include City funding of third parties to perform programs considered to be elements of City operations.
- The Recommended FY 2025 Budget Update includes \$13,612,680 for these items, which includes the Human Services Fund.
- City Council directed the Administration to create an updated human services strategies and priorities plan for allocations in Motion No. 202202006.
- The Human Services Fund meets the goal of allocating 1.5% of General Fund Operating Budget Revenue at over \$8.5 million.

OPERATING BUDGET UPDATE

General Fund Expenditure Highlights: Human Services and City Operations Program Support

| City Operations Programmatic Support and Recipients | Approved FY 2024 Budget | City Manager Recommended FY 2025 Budget Update |
|---|-------------------------------|---|
| City Administered Programs | | |
| Career Pathways Program ¹ | \$1,000,000 | \$1,185,370 |
| Cintrifuse Hackathon | \$20,000 | \$20,000 |
| Community Urban Agriculture | \$20,000 | \$20,000 |
| Financial Freedom Initiatives ² | \$2,125,000 | \$0 |
| Green Cincinnati Fund | \$100,000 | \$100,000 |
| Keep Cincinnati Beautiful | \$200,000 | \$200,000 |
| Needle Exchange Program | \$150,000 | \$150,000 |
| Neighborhood Business Districts | \$120,000 | \$120,000 |
| Summer Youth Jobs Initiative - CRC Portion | \$250,000 | \$250,000 |
| WarmUp Cincy | \$350,000 | \$350,000 |
| Total City Administered Programs | \$4,335,000 | \$2,395,370 |
| Contracts for City Assets & Programs | | |
| 3CDC (For Fountain Square) ³ | \$100,000 | \$100,000 |
| 3CDC (Operating Support for Washington Park and Ziegler Park) ³ | \$475,000 | \$475,000 |
| Boots on the Ground Fund Program ² | \$650,000 | \$150,000 |
| City Human Services Fund (administered by United Way) | \$7,976,930 | \$8,550,700 |
| Findlay Market Operating Budget Support | \$366,610 | \$366,610 |
| Neighborhood Support Program / Community Councils | \$425,000 | \$625,000 |
| Safe and Clean ² | \$500,000 | \$0 |
| The Port (formerly Greater Cincinnati Redevelopment Authority/Port Authority of Greater Cincinnati) | \$700,000 | \$700,000 |
| Women Helping Women Domestic Violence Enhanced Response Team (WHW DVERT) | \$250,000 | \$250,000 |
| Total Contracts for City Assets & Programs | \$11,443,540 | \$11,217,310 |
| Grand Total City Operations Programmatic Support and Recipients | \$15,778,540 | \$13,612,680 |

¹Includes \$110,370 for a Police Young Adult Cadet Program and \$75,000 for a Youth Manager's Advisory Group.

²Denotes partial or full one-time funding in FY 2024.

³Resources for 3CDC are estimated and may be offset by civic space revenue.

OPERATING BUDGET UPDATE

General Fund Expenditure Highlights: Fiscal Sustainability

- Recommended FY 2025 Budget Update includes a 17.75% employer pension contribution rate for members of the Cincinnati Retirement System (CRS). This is a 0.75 percentage point increase to continue to address current underfunding of the CRS. The FY 2024 rate was 17.0%.
- Continued resources for a consultant to pursue federal grant funding opportunities.
- One-time resources for the Public Safety Facilities Master Plan, which will ensure efficient and thoughtful capital planning and resource deployment in future fiscal years.

OPERATING BUDGET UPDATE

General Fund Expenditure Highlights: Staffing

- City Manager's Office – 11.27 FTE for place-based initiatives, marketing efforts in the Office of Communications, a Community Responders Team in ECC, a Fleet Services Data Analyst in OPDA, and other administrative positions
- Cincinnati Parks Department – 12.0 FTE, which accounts for positions added during FY 2024, as well as new positions to add a second shift to support operations at Smale Riverfront Park
- Buildings & Inspections – 9.0 FTE, which includes an Assistant Supervisor of Inspections to support the Building Inspector Training Academy, staff for the Special Projects Team Satellite Office for large scale development projects, and other mid-year changes

OPERATING BUDGET UPDATE

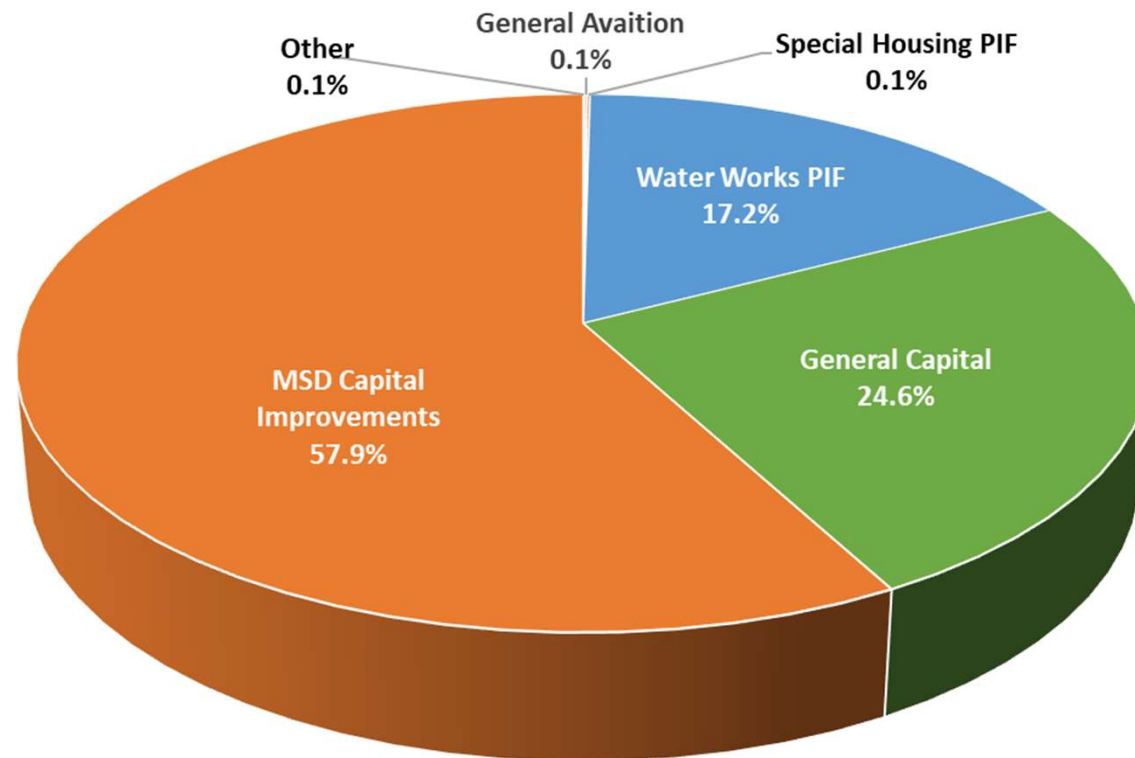
Restricted Funds

Major Changes Impacting Restricted Funds:

- Convention Center Fund – The Recommended FY 2025 Budget Update reflects the partial closure of the Duke Energy Convention Center (DECC) for renovations in FY 2025. Both revenue and expenditures are impacted.
- Income Tax-Infrastructure Fund – Reductions were taken to stabilize fund balance as expenditures continue to outpace revenues.
- Water Works Fund – Increases are included for the expansion of the Lead Service Line Replacement Program.

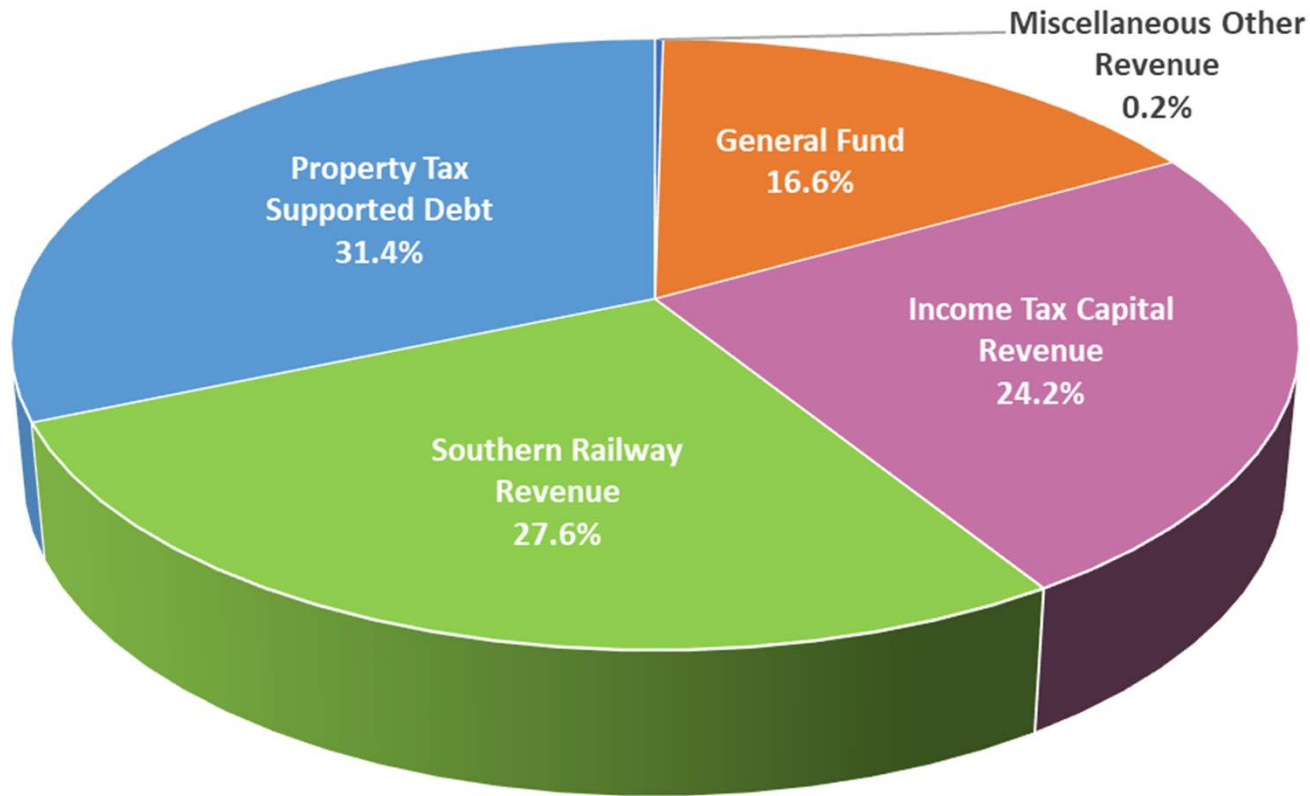
Capital Budget

Recommended FY 2025 All Funds Capital Budget Update



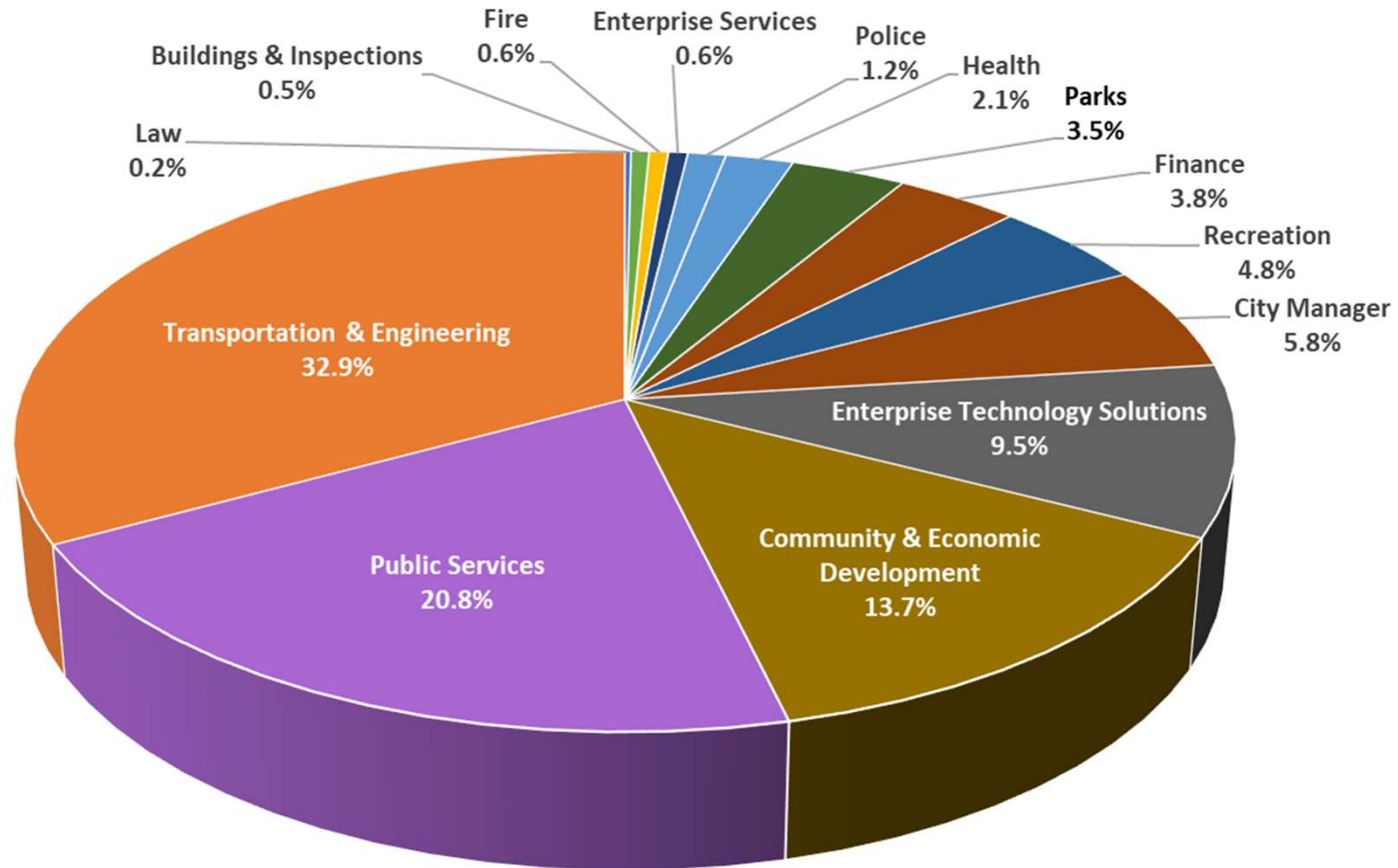
"Other" combines the amount for the following funds: Telecommunications Services and Special Housing PIF. Individually, each of these funds consist of less than 0.05% of the FY 2025 All Funds Capital Budget Update. This chart does not include grant funding.

General Capital Resources – \$105.9 million



“General Fund” resources in the amount of \$17.6 million are being transferred out to the capital budget. These funds are available due to General Fund revenue replacement from American Rescue (ARP) funds.

General Capital Expenditures – \$105.9 million



General Capital Budget Highlights

- **Street Rehabilitation - \$13.5 million:** This will result in an estimated 24 lane miles of rehabilitation (\$500k per lane mile) and provide for an estimated 19 lane miles of preventative maintenance (\$70k per lane mile).
- **Fleet Replacements - \$13.1 million:** This includes \$11.1 million plus an additional \$2.0 million of General Fund resources transferred to the capital budget.
- **Neighborhood Business District Improvements (NBDIP) - \$5.0 million:** This includes \$2.0 million plus an additional \$3.0 million of General Fund resources transferred to the capital budget.
- **Green Cincinnati Sustainability Initiatives - \$5.0 million:** While advancing the goals of the City's Green Cincinnati Plan, this funding may also leverage investment credits (paid back to the City's Revolving Energy Loan Fund) for vehicles, equipment, and infrastructure related to alternative sources of energy generation, storage, and use.
- **Victory Parkway Complete Street - \$3.0 million:** This local match leverages grant funding for Park Avenue Bridge rehabilitation and converting a portion of Victory Parkway to a complete street.

General Capital Budget Highlights (continued)

- **Affordable Housing Trust Funding – Capital - \$1.9 million:** This \$400,000 increase is based on projected revenue growth generated by the Short-Term Rental Excise Tax.
- **Pedestrian Safety, Major/Minor Street Calming - \$1.2 million:** This project will continue investments in traffic calming and enhanced pedestrian safety.
- **Economic Development Initiatives – Quick Strike Acquisition and Project Support Fund - \$1.0 million:** These are General Fund resources transferred to the capital budget to continue the Quick Strike program.
- **Lunken Airport Improvements - \$1.0 million:** General Fund resources transferred out to the capital budget will provide opportunities for airport improvements, which could include a Customs House or other airport-related development opportunities.
- **Home Enhancement Loan Program (HELP) - \$0.5 million:** This project will provide resources for a middle-income home repair program through Local Initiatives Support Corporation (LISC).

Recommended FY 2025 Update Capital Budget: Cincy on Track

- The Recommended Capital Budget Update includes \$29.2 million in Cincinnati Southern Railway (CSR) revenue for FY 2025. This will provide an additional \$2.8 million over the estimated \$26.4 million in FY 2025 under the previous lease arrangement. Funding from this source can only be used on existing City infrastructure projects.
- The Recommended FY 2025 CSR Revenue allocation by department:

| | |
|--------------------------------|--------------------|
| • Transportation & Engineering | \$17.9 million |
| • Recreation | 3.7 million |
| • Public Services | 2.7 million |
| • Parks | 2.7 million |
| • Health | <u>2.1 million</u> |
| Total: \$29.2 million | |
- Each department will be presenting separately on their planned use of Cincy on Track funding.

Questions?