

**January 20, 2022**

**To:** Mayor and Members of City Council

**From:** Paula Boggs Muething, City Manager

**Subject: Finance and Budget Monitoring Report for the Period Ending September 30, 2021**

---

The purpose of this report is to provide the City Council with the status of the City's Fiscal Year (FY) 2022 financial and operating budget conditions as of September 30, 2021, to note any significant variances, identify potential budget issues, and provide recommendations. The report is divided in two sections: revenues and expenditures. Various supplemental reports are attached to reflect forecasted revenue, actual revenue, expenditures, and commitments through September 30, 2021.

The following Citywide issues may impact the General Fund 050, Special Revenue Funds, and Enterprise Funds.

1. General Fund revenues are greater than projected by \$7.0 million through the end of September. However, this report highlights increased potential expenditure needs in the amount of \$12.9 million.
2. Cincinnati Fire Department attrition through September 2021 was six times higher than expected, which necessitated the use of overtime to backfill sworn positions. Additionally, Fire overtime usage has been further exacerbated by the use of sick leave as a result of the COVID-19 pandemic. The additional overtime need for Fire is currently projected at up to \$11.8 million.
3. Historically, Police and Fire lump sum payments have exceeded budgeted amounts due to the unanticipated retirements of long-time sworn public safety employees as well as actual attrition outpacing projections. Attrition and lump sum payments will be closely monitored. Supplemental appropriations may be required.
4. The Approved FY 2022 Budget included a 2.0% cost of living adjustment (COLA) for non-sworn employees (i.e., Non-Represented, American Federation of State, County and Municipal Employees (AFSCME), American Federation of State, County and Municipal Employees Municipal Workers (AFSCME MWs), Buildings Trades, Teamsters, and Cincinnati Organized and Dedicated Employees (CODE)). An agreement has been reached with AFSCME that

includes a one-time Premium Pay, also called “Hazard Pay,” in the amount of \$1,000 per employee. A portion of this pay is eligible for reimbursement under the American Rescue Plan (ARP) Act based on guidance from the United States Department of the Treasury. The non-reimbursable portion may result in a personnel shortfall and may require a supplemental appropriation for certain departments. Additionally, the collective bargaining agreement with CODE will expire during FY 2022. Negotiations will start with CODE closer to their contract’s expiration date in March 2022. Any agreements that exceed budgeted COLA amounts and additional wage item increases may result in a budget deficit for departments. If necessary, a supplemental appropriation may be required.

5. Community Health Center Activities Fund 395 revenues continue to be negatively impacted by COVID-19. Healthcare workers remain in high demand, which has resulted in a staffing shortage in nurses and medical assistants working in health centers. These staffing issues have impacted appointment availability and related revenue. The Cincinnati Health Department is in the process of hiring temporary staff to alleviate staffing needs until the department can fill the permanent position vacancies. Revenue trends will continue to be closely monitored. American Rescue Plan Act reimbursements and Federal Emergency Management Agency (FEMA) reimbursements are being pursued for eligible COVID-19 related expenses.
6. Parking meter usage has not fully returned to pre-pandemic levels, which has negatively impacted revenue in Parking Meter 303. However, many contractual service expenditures are based on revenue, so less revenue results in lower expenses in some cases. This will partially offset the reduction in revenue. The fund will be monitored closely to ensure expenditures do not outpace revenues.
7. The COVID-19 pandemic continues to impact supply chains and the costs of various goods and services. Departments report several areas of concern, including energy costs, vehicle repair and maintenance costs, and the supply of new vehicles. Trends in the energy sector show an increase in costs for natural gas, petroleum, etc. Supply chain issues have also resulted in the shortage of vehicle parts and semiconductor chips. Fleet repairs are becoming more difficult and more expensive in certain cases. The acquisition of new vehicles has also been affected by these issues. Fleet Services anticipates that new vehicles will be significantly delayed which may result in an operating budget need for vehicle leases until new vehicles become available and increased repair costs as older vehicles will remain in service for a longer than anticipated period of time. The supply chain issues are not expected to subside until the summer of 2022. These issues will be monitored closely for budgetary and operational impacts.

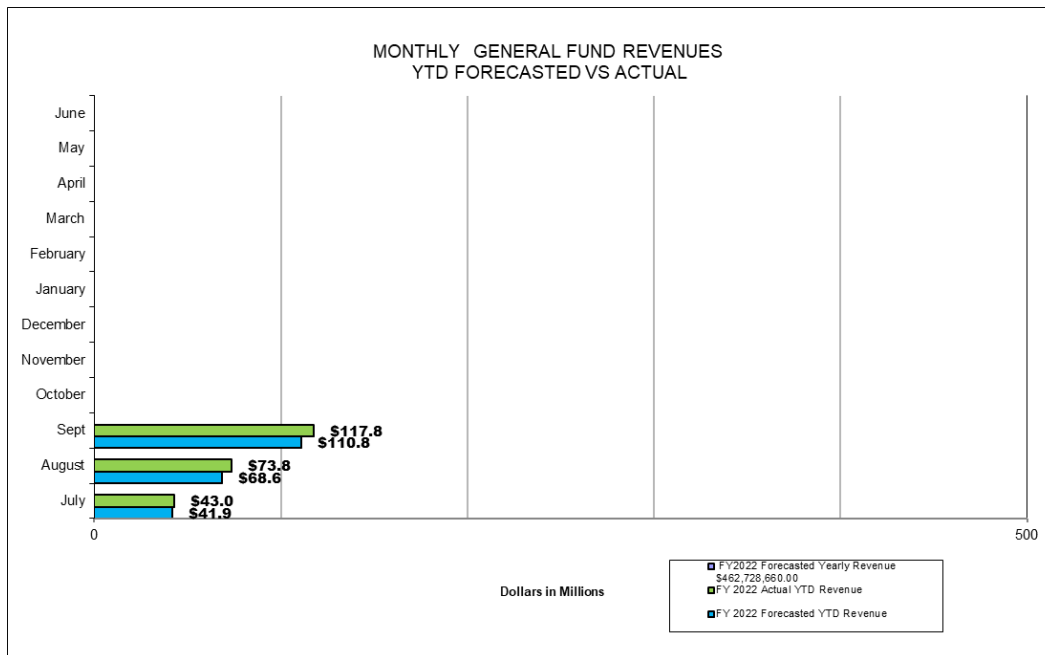
## REVENUE

The following report provides an update on the City of Cincinnati's financial condition as of the month ending September 30, 2021. Variances are based on current year estimates and prior year activity in the attached schedules. This report also represents the results of the first quarter of the fiscal year.

A more detailed explanation of revenues is attached for review, including reports comparing current year actual revenue versus forecasted revenue and prior year actual revenue versus current year actual revenue. Both of those reports are presented on a monthly and year to date basis.

### I. GENERAL FUND 050

The chart below portrays the performance of actual revenue collected against the forecasted revenue collected through September 30, 2021 and shows that actual revenue of \$117.8 million was above forecasted revenue of \$110.8 million by \$7.0 million.



The major revenue components of the General Fund are listed in the table below. This table highlights the year to date variance (favorable and unfavorable) in General Fund revenue collections as compared to forecasted revenue collections. Each major category that differs significantly from forecasted collections will be discussed in further detail.

<b>GENERAL FUND REVENUE SOURCES</b>		
	<b>FAVORABLE VARIANCE</b>	<b>(UNFAVORABLE) VARIANCE</b>
General Property Tax	\$1,710,258	
City Income Tax	\$3,908,125	
Admissions Tax	\$453,679	
Short Term Rental Excise Tax	\$242,939	
Licenses & Permits	\$373,700	
Fines, Forfeitures, & Penalties	\$132,181	
Investment Income	\$367,592	
Local Government	\$588,048	
Casino	\$566,152	
Police		(\$47,935)
Buildings and Inspections	\$237,336	
Fire	\$75,008	
Parking Meter	\$150	
Other		(\$1,608,609)
	\$8,655,166	(\$1,656,544)
Difference	\$6,998,622	

**General Fund (favorable variance) is \$7.0 million** above the amount forecasted through September in the FY 2022 Budget. This also represents the end of the first quarter of the fiscal year. What follows is an explanation of significant variances of individual General Fund revenue components.

- 1. General Property Tax (favorable variance) is up \$1.7 million.** Revenue is greater than projected as a result of higher assessed property values utilized by the County Auditor.
- 2. Income Tax (favorable variance) is \$3.9 million** above the forecasted amount. However, businesses that filed for extensions of their net profit returns in April may be eligible for refunds in October which would affect the favorable variance. The Administration is still monitoring income tax trends very closely due to the shift to remote work.
- 3. Local Government Fund (favorable variance) is up \$588k.** The favorable variance is the result of increased revenue collection from the State of Ohio General Revenue tax sources.
- 4. Casino (favorable variance) is \$566k** above the forecasted amount. The casino revenue is outperforming current estimates, which have been set at pre-pandemic levels.

## II. RESTRICTED FUNDS

- A. Parking System Facilities (favorable variance) is \$257k** above estimate. Parking revenue reflects more venues and businesses opening back up from the pandemic and more patronage around the City. The fiscal year estimates are conservative due to the uncertainty of the COVID-19 variants.
- B. Municipal Golf (favorable variance) is \$774k** above the forecasted amount. The Cincinnati Recreation Commission has experienced an increase in the utilization of the golf courses as the weather has been more than favorable this summer for the sport.
- C. Recreation Special Activities (unfavorable variance) is down \$360,000.** The Cincinnati Recreation Commission has experienced a reduction in revenue due to the cancellation of some team sports due to a shortage of game officials.
- D. Hazard Abatement (unfavorable variance) is \$228k** below the forecasted amount. The Vacant Buildings Maintenance License revenue is down due to the increased number of license waivers requested during the pandemic. In addition, Vacant Foreclosure License revenue is below estimate as a result of the reduced number of foreclosures processed during the pandemic.

## EXPENDITURES

The following provides an update on the City of Cincinnati's operating budget position as of the month ending September 30, 2021. The attached Fund Summary Report provides the current budget, expenditures, and commitments of each appropriated fund. This report is presented on a year to date basis.

### I. GENERAL FUND 050

As shown on the attached report, total expenditures are 23.2% of budget, and commitments are 29.0% of budget in the General Fund 050 as compared to the estimated period ending September 30, 2021, or 25% of the fiscal year. "Non-personnel expenses" are trending higher at 50.7% committed year to date due to encumbering twelve months of expenditures for certain commodities such as gas and electric costs, contractual services, and materials and supplies. This is not unusual for this reporting period.

The majority of departments have indicated their FY 2022 General Fund 050 appropriation will meet their budgetary needs through the end of the fiscal year. However, budget transfers may be necessary to move funds from divisions and programs with savings to others within the respective departments that have budget

needs. These transfers will be included in the Final Adjustment Ordinance (FAO), which will be presented to the City Council in May 2022.

### **A. Budget Savings Identified**

At this time, no General Fund 050 departments are projecting a savings at the end of FY 2022. Any savings identified will be available to support budget needs in other departments and programs as necessary. Interdepartmental transfers of funds from one department to another will be included in the FAO as appropriate.

### **B. Budget Needs Identified**

Based on current expenditure projections, the following General Fund 050 departments are forecasting a budget need in FY 2022. The departments have been advised to manage their appropriated resources so that supplemental appropriations will not be required. However, the Administration will continue to closely monitor these budgets in the coming months and work with the respective departments to mitigate the need for supplemental appropriations. As appropriate, any remaining budget needs will be addressed in the FAO.

#### **1. Cincinnati Fire Department (\$11.8 million)**

Through September 30, 2021, attrition has trended six times higher than expected due to unanticipated sworn separations. Increased attrition has necessitated the use of overtime to backfill vacant positions. Additionally, the COVID-19 pandemic continues to impact sick leave usage. Sick leave pay has increased nearly 30% compared to pre-pandemic levels. This is due to COVID-19 diagnoses, exposure, or mandatory quarantine periods required while waiting for test results. COVID-19 related sick leave has been further exacerbated by the close living and working conditions of sworn staff in fire houses. However, overtime is expected to decline starting in January 2022 when Recruit Class #118 graduates. If overtime trends do not curtail, the Cincinnati Fire Department projects a need of up to \$11.8 million by fiscal year end due to higher than anticipated lump sum payments and increased overtime. These items have also impacted wage-based fringe benefit expenses. Both the department and the Office of Budget and Evaluation will continue to closely monitor staffing trends and overtime needs.

#### **2. Cincinnati Police Department (\$1.0 million)**

The Cincinnati Police Department projects an overall need of \$1.0 million due to increased overtime as the result of higher rates of sworn position vacancies and the request for additional Police Visibility Overtime (PVO). Due to the increased vacancy rate, higher levels of overtime are expected for the remainder of the fiscal year. It is anticipated that increased position vacancy savings will partially mitigate these increased costs. The total liability will be adjusted as the fiscal year progresses. Lastly, lump sum payments have exceeded expectations due to higher

levels of retirement. The total budget impact of these increases will be closely monitored.

**3. Department of Economic Inclusion (\$85,000)**

The Department of Economic Inclusion projects a non-personnel need related to a prior year leveraged support obligation that has required the utilization of the majority of their FY 2022 non-personnel appropriation. Council has passed a supplemental appropriation to address this need.

**C. Within Budget, Intradepartmental Budget Transfers May Be Needed**

Numerous General Fund 050 departments have indicated the ability to manage their resources within their appropriation. However, budget adjustments within their departments may be required. These transfers are referred to as Intradepartmental Budget Transfers. Unless noted otherwise, these Intradepartmental Budget Transfers will be included in the FAO, which will be presented to the City Council for approval in May 2022.

**1. Clerk of Council**

The Clerk of Council's Office projects no budget savings or need at this time.

**2. Enterprise Technology Solutions**

The Department of Enterprise Technology Solutions projects no budget savings or need at this time.

**3. City Manager's Office: Office of Communications**

The Office of Communications projects no budget savings or need at this time.

**4. City Manager's Office: Office of Human Relations**

The Office of Human Relations projects a \$14,000 need related to the final pension obligation payment to the United Way for Community Outreach Advocates. This is a one-time need; it is expected that this need can be offset by vacancy savings in the City Manager's Office.

**5. City Manager's Office: Office of Budget and Evaluation**

The Office of Budget and Evaluation does not project a savings or need at this time, pending reimbursement processing.

**6. City Manager's Office: Emergency Communications Center (ECC)**

The Emergency Communications Center projects no budget savings or need at this time.

**7. City Manager's Office: Office of Environment and Sustainability**

The Office of Environment and Sustainability projects no budget savings or need at this time. However, the recycling budget faces shortages annually and will be monitored during the fiscal year to address any needs.

**8. City Manager’s Office: Office of Procurement**

The Office of Procurement projects a possible contractual services need due to the Law Department billing for collection fees, which was not budgeted. This need will be monitored.

**9. City Manager’s Office: Office of Performance and Data Analytics (OPDA)**

The Office of Performance and Data Analytics projects no budget savings or need at this time.

**10. City Manager’s Office: Internal Audit**

Internal Audit projects no budget savings or need at this time.

**11. Department of Law**

At this time, the Department of Law projects no budget savings or need for FY 2022. However, the department has incurred some unplanned non-personnel expenses related to outside counsel on various cases which may create a budget shortfall.

**12. Department of Human Resources**

The Department of Human Resources projects no budget savings or need at this time. However, as the HR centralization process is implemented, there may be some non-personnel needs that will need to be addressed.

**13. Department of Finance**

The Department of Finance projects a possible fringe benefits need, pending the processing of reimbursements. This need will be monitored.

**14. Department of Community and Economic Development (DCED)**

The Department of Community and Economic Development projects no budget savings or need at this time.

**15. Department of City Planning and Engagement**

The Department of City Planning and Engagement projects no budget savings or need at this time. However, a potential non-personnel need may arise due to membership fees and postage. Additionally, the department may not be able to fully meet their budgeted reimbursements by fiscal year-end due to unexpected position vacancies, which would create a personnel shortfall as well.

On August 4, 2021, the City Council passed Ordinance No. 0331-2021 to transfer the Zoning Administration Division from the Department of Buildings and



Inspections to the Department of City Planning and Engagement. The division transfer is effective October 3, 2021. The General Fund resources associated with this division will be monitored closely for the remainder of FY 2022.

**16. Citizen Complaint Authority**

The Citizen Complaint Authority projects a possible personnel savings due to an unexpected position vacancy.

**17. Cincinnati Recreation Commission**

The Cincinnati Recreation Commission projects no budget savings or need at this time.

**18. Cincinnati Parks Department**

The Parks Department projects no budget savings or need at this time.

**19. Department of Buildings and Inspections**

The Department of Buildings and Inspections projects no budget savings or need at this time. The department has several reimbursements that will be processed in October.

**20. Department of Transportation & Engineering**

The Department of Transportation and Engineering projects savings and needs within the department's appropriation. The department is behind on processing reimbursements. The department will continue to monitor all expenses but is confident that any needs can be settled within their current appropriation.

**21. Department of Public Services**

The Department of Public Services projects a personnel savings due to position vacancies. These savings are partially offset by increased utility costs due to stormwater rate increases. Over the previous three calendar years, stormwater rate increases have resulted in expenses outpacing budgeted resources for utility expenses at city-owned buildings. Based on current billings, utility expenses could create a budget need of approximately \$45,500. These savings and needs will be monitored closely as the fiscal year continues.

**II. ENTERPRISE FUNDS**

Enterprise Funds account for any activity for which a fee is charged to external users for goods or services. If an activity's principal revenue source meets any one of the following criteria, it is required to be reported as an enterprise fund: (1) an activity financed with debt that is secured solely by pledge of the net revenues from fees and charges for the activity; (2) laws or regulations which require that the activity's costs of providing services, including capital costs, be recovered with fees and charges,

rather than with taxes or similar revenues; or (3) pricing policies which establish fees and charges designed to recover the activity's costs.

**A. Water Works Fund 101**

Water Works Fund 101 is 16.5% expended year to date. The Greater Cincinnati Water Works (GCWW) projects a net need of \$584,000 primarily due to the Lick Run emergency water main repair and higher than anticipated contract services costs. However, these non-personnel needs may be partially offset by position vacancy savings.

**B. Parking System Facilities Fund 102**

Parking System Facilities Fund 102 includes the budget for off-street parking enterprises (including garages). Fund 102 is currently 7.5% expended year to date. The Division of Parking Facilities within the Department of Community and Economic Development projects a net savings of \$150,000 due to lower than expected contractual services expenses.

**C. Duke Energy Convention Center Fund 103**

Duke Energy Convention Center Fund 103 is 13.8% expended year to date. The Finance Department projects no budget savings or need for FY 2022.

**D. General Aviation Fund 104**

General Aviation Fund 104 is 14.7% expended year to date. The Department of Transportation and Engineering may have personnel and fringe benefits savings in Fund 104 due to position vacancies, which will be monitored.

**E. Municipal Golf Fund 105**

Municipal Golf Fund 105 is 25.0% expended year to date, which reflects expenses for the calendar year (CY) 2021 golf season, which meet expectations. The Cincinnati Recreation Commission projects no budget savings or need.

**F. Stormwater Management Fund 107**

Stormwater Management Fund 107 provides resources to various City departments. The major recipient of resources from this fund is the Stormwater Management Utility (SMU). The Department of Public Services, the Parks Department, and the Department of Buildings and Inspections also receive appropriations from this fund. The Stormwater Management Fund is 13.5% expended year to date. SMU, the Parks Department, and the Department of Buildings and Inspections project no budget savings or need at this time. The Department of Public Services projects a personnel savings due to position vacancies.

**III. DEBT SERVICE FUND**

Debt Service Funds account for the accumulation of resources for, and the payment of, principal and interest on the City's bonds issued in support of governmental activities.

**A. Bond Retirement Fund 151**

Bond Retirement Fund 151 is 3.2% expended year to date. The Finance Department projects no budget savings or need for FY 2022.

**IV. APPROPRIATED SPECIAL REVENUE FUNDS**

Special Revenue Funds account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are legally restricted to expenditures for specific purposes.

The Office of Budget and Evaluation, in cooperation with various City departments, reviewed appropriated special revenue funds to ensure the Approved FY 2022 Budget remains in balance. Based on expenditures and revenues through September 30, 2021, most special revenue funds are on target with regards to their budget and require no additional appropriations at this time. Any identified issues are highlighted in the narrative summaries provided below. If warranted, budget adjustments will be addressed in the FAO later in the fiscal year.

**A. Street Construction, Maintenance & Repair Fund 301**

Street Construction, Maintenance & Repair Fund 301 is 14.0% expended year to date. The Department of Transportation and Engineering projects no budget savings or need in FY 2022. The Department of Public Services anticipates personnel and fringe benefit savings in Fund 301; however, these savings may be partially offset by increased winter emergency operation expenses depending on the weather conditions over the next few months.

**B. Income Tax-Infrastructure Fund 302**

Income Tax-Infrastructure Fund 302 provides resources to several City departments. The Department of Transportation and Engineering is the largest recipient of resources from this fund. The Department of Public Services also receives Income Tax-Infrastructure resources. Fund 302 is 15.8% expended year to date. The Department of Transportation and Engineering may have personnel and fringe benefits savings in Fund 302 due to position vacancies, which will be monitored. The Department of Public Services projects no budget savings or need at this time.

**C. Parking Meter Fund 303**

Parking Meter Fund 303 includes the budget for on-street parking enterprises (including parking meters). Fund 303 is currently 17.4% expended year to date. The Division of Parking Facilities within the Department of Community and

Economic Development projects a net savings of \$50,000 due to lower than expected traffic control supplies expenses.

**D. Municipal Motor Vehicle License Tax Fund 306**

Municipal Motor Vehicle License Tax Fund 306 is 12.2% expended year to date. The Department of Public Services projects a personnel savings in Fund 306 due to position vacancies; however, these savings may be offset by increased winter emergency operation expenses depending on the weather conditions over the next few months.

**E. Sawyer Point Fund 318**

Sawyer Point Fund 318 is 8.4% expended year to date. The Parks Department projects no budget savings or need in Fund 318.

**F. Recreation Special Activities Fund 323**

Fund 323 is currently 13.7% expended year to date. The Cincinnati Recreation Commission projects no budget savings or need in Fund 323.

**G. Cincinnati Riverfront Park Fund 329**

Cincinnati Riverfront Park Fund 329 is the appropriated fund that is for Smale Park. Fund 329 is currently 2.5% expended year to date. The Parks Department projects no budget savings or need in Fund 329.

**H. Hazard Abatement Fund 347**

Hazard Abatement Fund 347 is 6.4% expended year to date. The Department of Buildings and Inspections projects no budget savings or need at this time.

**I. Bond Hill Roselawn Stabilization & Revitalization Operations Fund 358**

Bond Hill Roselawn Stabilization & Revitalization Operations Fund 358 was established in FY 2016 as a \$1.0 million contract over five years for the Bond Hill Roselawn neighborhood. The full remaining fund balance of \$250,000 was appropriated in FY 2022. Once the funds are exhausted, the fund will be eliminated. This fund is 100.00% committed for FY 2022.

**J. 9-1-1 Cell Phone Fees Fund 364**

9-1-1 Cell Phone Fees Fund 364 is the appropriated fund that governs the City portion of state collected revenue from mobile device fees. Fund 364 is currently 1.3% expended year to date. The Emergency Communications Center projects no budget savings or need in Fund 364.

**K. Safe and Clean Fund 377**

Safe and Clean Fund 377 is the appropriated fund that collects revenue associated with billboard leases. These resources are allocated to Keep Cincinnati Beautiful

(KCB) expenditures. This fund is currently 1.6% expended year to date. The Department of Public Services projects no budget savings or need.

**L. Community Health Center Activities Fund 395**

Community Health Center Activities Fund 395 is 19.7% expended year to date. The Cincinnati Health Department (CHD) projects a personnel and fringe benefit need in health centers. However, CHD anticipates these needs will be offset by a personnel and fringe benefit savings anticipated from school-based services. The department has several staff members assigned to COVID-19 related tasks; therefore, the department will pursue American Rescue Plan (ARP) Act reimbursements and Federal Emergency Management Agency (FEMA) reimbursements for eligible expenses as well. Transfers may be required as part of the FAO.

**M. Cincinnati Health District Fund 416**

General operational support to the Cincinnati Health Department is provided by Cincinnati Health District Fund 416. This fund is 20.8% expended year to date. The Cincinnati Health Department (CHD) projects a net need of \$271,000 primarily due to COVID-19 related expenditures and an increase in contractual service costs for security services. CHD also anticipates a need in personnel and fringe benefits due to COVID-19 related overtime. Eligible COVID-19 expenses will be reimbursed by the American Rescue Plan (ARP) Act and Federal Emergency Management Agency (FEMA) funding. The Department also identified position vacancy savings that will be used to partially offset expected needs. Transfers may be required as part of the FAO.

**N. Cincinnati Area Geographic Information System (CAGIS) Fund 449**

Cincinnati Area Geographic Information System Fund 449 is 21.5% expended year to date. Enterprise Technology Solutions projects no budget savings or need at this time.

**O. Streetcar Operations Fund 455**

Streetcar Operations Fund 455 is 15.5% expended year to date. The Department of Transportation and Engineering may have personnel and fringe benefits savings in Fund 455 due to position vacancies, which will be monitored.

**P. County Law Enforcement Applied Regionally (CLEAR) Fund 457**

The CLEAR Fund is 10.4% expended year to date. Enterprise Technology Solutions projects no budget savings or need for FY 2022.

**Summary**

Through September 30, 2021, major budget issues include the Fire Department's staffing and overtime needs, Police and Fire lump sum payments, revenue decline in Community Health Center Activities Fund 395 and Parking Meter Fund 303,

unbudgeted wage items resulting from collective bargaining agreements, and COVID-19 related impacts to the supply chain and the costs of various goods and services. Departments have identified possible savings and shortfalls, which will continue to be monitored and updated monthly.

Submitted herewith are the following Office of Budget & Evaluation reports:

1. Fund Summary Report for the month ended September 30, 2021.

Submitted herewith are the following Department of Finance reports:

2. Comparative Statement of Revenue (Actuals, Forecast and Prior Year) as of September 30, 2021.
3. Audit of the City Treasurer's Report for the month ended August 31, 2021.
4. Statement of Balances in the various funds as of September 30, 2021.

By approval of this report, City Council appropriates the revenues received in the various restricted funds on the attached Statement of Balances and as stated in greater detail on the records maintained by the Department of Finance, Division of Accounts & Audits. Such revenues are to be expended in accordance with the purposes for which the funds were established.

cc: William "Billy" Weber, Assistant City Manager  
Karen Alder, Finance Director  
Andrew M. Dudas, Budget Director

Attachments