


January 28, 2022

FOR YOUR INFORMATION

To: Mayor and Members of Council

From: John P. Curp, Interim City Manager 

Subject: **Budget Schedule for Fiscal Year (FY) 2023 Budget Update**

The purpose of this memo is to provide an overview of the FY 2023 Budget Update process along with a schedule of important dates and events.

The FY 2023 Budget Update process will start in earnest on Monday, January 31st at the Budget and Finance Committee. All departments will be making informational presentations about their department's programs and agencies, key performance indicators, their recent budget and staffing history, as well as significant budget issues affecting their department. These presentations will be held weekly through March 21st. Once the department presentations are completed, the City Council will begin to develop a Budget Policy Motion for the FY 2023 Budget Update. The Budget Policy Motion is an annual process in which the City Council makes a motion providing direction to the City Administration with regard to policy guidelines and priorities for the upcoming budget. At the end of March, as part of a regular Budget and Finance Committee meeting, a public hearing will be held on the Budget Policy Motion, which will then go to the City Council for adoption.

During February, March, and April, the Office of Budget and Evaluation is planning to hold several community engagement sessions focused on the FY 2023 Budget Update. The Department of City Planning and Engagement is helping to design this series of engagement sessions. More information will be provided as it becomes available on these engagement activities. Feedback received by the Administration in these sessions will be provided to the Mayor and City Council in the Recommended FY 2023 Budget Update.

A critical element of the City's FY 2023 Budget Update will be income tax revenue projections informed by data that will become available over the next several months. Due to state law changes in response to the COVID-19 pandemic, there remains a high level of uncertainty on the impact of the pandemic on the City's income tax revenues. The Finance Department will be tracking available data during the first part of calendar year (CY) 2022 and will be working with the University of Cincinnati (UC) Economics

Center to develop an updated five-year income tax forecast. This updated forecast will be presented to the City Council in early May and will be used to refine income tax revenue estimates for the FY 2023 Budget Update. Two forthcoming data sources will provide significant insight to better inform the income tax forecast; specifically, the City will be closely tracking withholding data for income tax revenues and will also be monitoring income tax refund filings from CY 2021.¹

In mid-May, the City will receive its second tranche of American Rescue Plan (ARP) funds—totaling approximately \$139 million. In the Approved FY 2022-2023 Biennial Operating Budget, the Administration estimated that \$66 million in ARP resources would be necessary to use as a one-time source in the FY 2023 Budget Update to help produce a balanced budget. Many variables have fluctuated since that estimate was made, including the continuation of the COVID-19 pandemic and supply chain disruptions driving increased expenses. Driven largely by the above-described analysis regarding income tax revenue projections, the City Manager will be producing a new recommendation for the use of ARP funds for FY 2023 as part of the Recommended FY 2023 Budget Update. Additionally, guidance from the United States Department of the Treasury released on January 6, 2022 clarified that ARP funds may be expended through the end of CY 2026, which provides the City the opportunity to utilize these funds to offset projected revenue losses in FY 2023, FY 2024, and FY 2025. Given the near-term and long-term uncertainty on income tax revenues, the Administration continues to recommend that the second tranche of ARP funds be preserved for City operating expenses in FY 2023, FY 2024, and FY 2025. If in the future new information reduces the level of uncertainty of income tax revenues, and it becomes clear that those funds are not needed for operating expenses, then the Administration will revisit this recommendation and work with the Mayor and City Council at that time to determine appropriate priorities.

The City Manager is working toward completion and release in mid-May of the Recommended FY 2023 Budget Update. While a deficit is currently projected, the City Administration will recommend a balanced budget for FY 2023. The City Manager's Recommended Budget will then be transmitted to the Mayor who has up to 15 days to recommend changes to the Budget before transmitting the Budget to the City Council. In line with previous practice, it is expected that the City Council will begin budget deliberations at the end of May with a planned series of public Budget Hearings scheduled for early June. The City Council can then make budget motions to alter the Recommended Budget leading up to the scheduled passage of the FY 2023 Budget Update on June 22, 2022.

The FY 2023 Budget Update schedule is provided below:

¹ The State of Ohio's temporary municipal income tax withholding rule during CY 2021 allowed employers to continue to remit employee withholding taxes through December 31, 2021 based on the "principal place of work" of an employee prior to COVID-19 pandemic restrictions; however, underlying income tax law was not aligned with this temporary withholding rule—creating the potential for a refund liability, which the City planned for and addressed last year, and also depriving the City of accurate monthly withholding data that could be used to better project income tax revenues. As that temporary rule expired at the end of CY 2021 and since CY 2021 tax filings can begin to be filed in early CY 2022, this additional information will begin to provide additional data and certainty to income tax revenue forecasting.

FY 2023 Budget Update Policy Motion:

Weekly Budget Presentations at Budget and Finance Committee
City Council Submits Draft of Budget Policy Motion to Committee
Public Hearing: Budget Policy Motion
City Council Approves the Budget Policy Motion at Council

January 31 - March 21, 2022
March 21, 2022
March 28, 2022
March 30, 2022

Final Budget Process:

City Manager Develops FY 2023 Recommended Budget Update
Income Tax Economic Forecast Report
City Manager's FY 2023 Recommended Budget Update Delivered to Mayor
Mayor's FY 2023 Recommended Budget Update Delivered to City Council

March 1 - June 10, 2022
May 2, 2022
May 13, 2022
May 27, 2022

City Council Budget Deliberations

May 27 - June 22, 2022

City Manager FY 2023 Budget Update Presentation

May 31, 2022

Public Hearings

Locations TBD

June 2, June 7, June 8, 2022

Council Motions Due to Finance Chair
Budget and Finance Committee Meeting to Discuss Motions
Budget and Finance Committee Meeting to Recommend Budget

June 10, 2022
June 13, 2022
June 20, 2022

City Council Adopts FY 2023 Budget Update

June 22, 2022

c: William "Billy" Weber, Assistant City Manager
Andrew Dudas, Budget Director