

December 4, 2024

To: Mayor and Members of City Council

From: Sheryl M.M. Long, City Manager <sup>لونا</sup>

202402463

Subject: EMERGENCY RESOLUTION—Adopting the Annual Tentative Tax Budget for Calendar Year 2026

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Submitted herewith is a resolution captioned as follows:

**Adopting** the Calendar Year Budget for Current Operating Expenses of the City of Cincinnati for the calendar year 2026 and submitting the same to the County Auditor.

### Summary

The purpose of the tentative tax budget is to set the City's property tax millage rates for CY 2026, which will provide resources to the City's FY 2026 and FY 2027 budgets. As described below, the attached CY 2026 Tentative Tax Budget and Emergency Resolution maintains the property tax millage levels at the same levels as approved for CY 2025—for both operating millage and debt millage.

### State Law Requirements

Approval of the Resolution and Tentative Tax Budget will allow the City of Cincinnati to meet the technical requirements of state law under which the City must: a) prepare a Tentative Tax Budget; and b) adopt the Tentative Tax Budget by January 15<sup>th</sup> and submit it to the Hamilton County Auditor no later than January 20<sup>th</sup> preceding the calendar year to which it applies.

**Please note that approval by the City Council of these items is needed to meet the state's technical requirements but does not set the final FY 2026 Budget which runs from July 1, 2025, to June 30, 2026. The Recommended FY 2026 General Fund Budget will be structurally balanced and submitted for approval to the City Council prior to June 30, 2025.**

The CY 2026 Tentative Tax Budget (TTB) contains information on all required funds, including the General Fund. As required by law, a public hearing will be held on

December 9, 2024, at 1:00 PM in the Budget and Finance Committee. City Council must approve this TTB no later than January 15, 2025, per the Ohio Revised Code.

### **CY 2026 Operating Mills**

The attached CY 2026 TTB sets the operating millage at 6.1 mills, which is the same rate which was approved for CY 2025. The recommended CY 2026 operating millage rate of 6.1 will generate \$47.9 million in property tax revenue in FY 2026. The 6.1 rate is also consistent with the stated rate in the City's Charter as approved by the voters.

### **CY 2026 Debt Millage**

The debt service millage, which provides resources to cover debt service of City debt, is estimated to remain the same at 7.5 mills as approved for CY 2025. The proceeds of debt supported by these resources fund capital expenditures—such as infrastructure spending and fleet.

### **Projected Operating Budget Deficits—FY 2026 and Beyond**

As shown in the CY 2026 TTB, the projected FY 2026 General Fund deficit is \$16.0 million. The deficit is a result of growth in expenditures outpacing revenue growth. Projected increases to expenditures for FY 2026 include a 3% wage increase for sworn employees and an estimated 3% wage increase for the CODE, AFSCME, Building Trades, Teamsters, and non-represented employees. The projected deficit also includes known cost increases expected in FY 2026 for items such as increases to employee health care, increases in the employer pension contribution to the Cincinnati Retirement System (CRS), as well as various non-personnel contractual increases.

In preparation for the exhaustion of one-time American Rescue Plan (ARP) Act resources, the Administration continues to identify and execute revenue enhancement initiatives to be ready for the FY 2026 Budget. Revenue projections will be updated again in the spring of 2025 and the City Manager's FY 2026 Recommended Budget will include both revenue enhancement initiatives and refreshed projections. The Administration is also implementing the new Performance Based Budgeting (PBB) process for the development of the FY 2026 Budget in order to improve efficiencies and reduce expenses. Ultimately, the FY 2026 General Fund Budget deficit of 2.79% will be closed through a combination of revenue enhancements and expenditure reductions.

The property tax resources raised by the 6.1 mills included in the attached CY 2026 TTB are important components of diversifying the City's operating revenues, to reduce reliance on income tax.

**Recommendation**

In order to generate sufficient resources for FY 2026 and FY 2027, the Administration recommends approval of the CY 2026 Tentative Tax Budget and Emergency Resolution.

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

Attachment