

August 7, 2024

To: Mayor and Members of City Council  
From: Sheryl M.M. Long, City Manager  
Subject: Cincinnati Futures Commission – Response and Next Steps

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### **Reference Document #202401283**

On May 8, 2024, the City Council referred the following item for report:

MOTION, submitted by Mayor Aftab Pureval, WE MOVE that the Administration provide a report in 60 days regarding the "Cincinnati Futures Commission, A Vision for the Future Cincinnati" recommendations. This report will allow the Mayor and Council to be intentional around the recommendations that require policy guidance. (BALANCE OF STATEMENT ON FILE)

### **INTRODUCTION**

The purpose of this report is to respond to the Mayor's motion regarding the Cincinnati Futures Commission report. The Mayor and Council have made clear that their overarching goal for the City is equitable growth—growing our entire City in a way that drives increased economic prosperity but also leaves no one behind. To accomplish that goal, the City must have a strong financial footing so we can provide excellent city services and invest in our neighborhoods and residents.

I want to acknowledge the foresight and leadership of our Mayor in convening this commission, and I want to thank the business, labor, and civic leaders who volunteered their time to take on our most difficult challenges and recommend strategies for our City to thrive.

The hard work of the Commission has produced a robust and thoughtful road map for improving the finances of the City and for Cincinnati's continued growth. This report lays out proposed next steps for undertaking and vetting the Futures Commission recommendations. In this report, the recommendations are organized into three sections:

Section I – Recommendations Completed or Underway

Section II - Recommendations Requiring Additional Policy Guidance or a Vote of the Electorate

Section III – Recommendations Requiring Additional Due Diligence

As described below, work on a significant portion of the recommendations is either underway or even completed. This consistency of vision is notable and provides significant momentum for implementation of many recommendations. The recommendations addressed in Sections II and III will require additional public conversation, vetting, and decision-making. The Administration looks forward to working in tight coordination with our elected officials on those efforts.

## **I. Recommendations Completed or Underway**

It is encouraging that many of the recommendations from the Futures Commission report are aligned with existing long-term Administration initiatives and policy initiatives, many that have been underway for one or more years. Of the twenty-five enumerated recommendations in the report, fourteen (56%) of the report recommendations are underway or completed.

### **Connected Communities and Update Plan Cincinnati – Page 24**

The Futures Commission report supports passage of the Connected Communities legislation as well as recommends an update to Plan Cincinnati.

Over the last two years under the leadership of Mayor Aftab, Councilmember Harris, and Councilmember Cramerding, Connected Communities was thoughtfully developed. The policy includes pro-growth changes to equitably move our City forward. City Council considered and approved that legislation on June 5, 2024.

Plan Cincinnati is the City's comprehensive plan, and it has not been updated in over a decade. The City's FY 2025 Budget Update includes resources for undertaking a full update to Plan Cincinnati. The update process is being planned now and will be launched later in this fiscal year.

### **Industrial Redevelopment for Job Creation – Page 29**

The Futures Commission report recommends investing resources to acquire and improve sites to support commercial and industrial development that will create good jobs. This is a strategy that is in line with previous actions of the Mayor and Council, with \$7 million in resources allocated in FY23 to an initiative with the Port Authority for industrial site acquisition and redevelopment and an additional \$1.3 million allocated to the same initiative in FY24. Those resources are still being deployed. Before allocating additional resources to this initiative, the Administration recommends completing the process to clearly establish strategic economic development objectives for the City, as discussed in detail in Section II of this report, and reviewing the structure and impact of the previous investment.

## Neighborhood Growth Funding – Page 34

The Futures Commission report recommends investing additional resources to support development projects in neighborhoods, suggesting \$5 million annually for 10 years. The FY 2025 Budget Update includes over \$6.2 million in new resources to support this use, including an additional \$1 million allocated to the Neighborhood Business District Improvement Program, \$1 million for strategic acquisitions by the City, \$1 million for the new Quick Strike Fund, and another approximately \$3.2 million allocated to additional neighborhood development initiatives. These additional resources build on investments made over the past few years by the Mayor and Council for neighborhood growth by increasing funding to existing programs, establishing new programs, and providing funding directly to community development corporation projects. New programs like the Neighborhood Catalytic Capital Improvement Fund, Empower Neighborhoods program, and the Quick Strike Fund are directly putting dollars towards the use recommended by the Futures Commission.

## Affordable Housing Leverage Fund Investments – Page 35

The Futures Commission report recommends increasing funding to the Affordable Housing Leverage Fund to \$10 million per year. Over the last several years the Mayor and Council have significantly increased contributions to this initiative. In FY24, the City contributed \$6.5 million to the Affordable Housing Leverage Fund. In FY25, this amount is projected at approximately \$7 million per year—with \$1.9 million in the approved FY 2025 Budget Update as well as an additional \$5 million expected from the carryover in the fall. Increases in short-term rental registration revenues and the changes to the stabilization policy introduced by the Mayor in February of 2022 have enabled this increased contribution. In addition to the sources above, the City's VTICA (Voluntary Tax Incentive Contribution Agreement) program generates a small but growing amount of revenue for the Affordable Housing Leverage Fund each year.

Historic trends predict increasing short-term rental revenues and VTICA revenues. That growth will drive increased contributions to the Affordable Housing Leveraged Fund, in line with the report's recommendation.

## Homebase and Community Development Corporation (CDC) Capacity Building – Page 36

The Futures Commission report recommends increased funding to support CDC capacity building. Recent and continuing funding by the Mayor and Council for this purpose demonstrates significant existing alignment on this recommendation.

Prior to 2023 the City typically provided about \$600,000 a year in operating support to Homebase and neighborhood community development corporations. Beginning in 2023 the City nearly doubled that annual operating support to approximately \$1.1

million per year. This is in addition to the millions of additional dollars that have been invested in project support.

Before allocating additional resources to this initiative, the Administration recommends completing the process to clearly establish strategic economic development objectives for the City, as discussed in detail in Section II of this report, and reviewing the structure and impact of the previous investment.

#### Equitable Economy Recommendations – Pages 36-38

To achieve a more equitable economy, the report recommends (1) The above discussed investment in industrial redevelopment and (2) Additional investment of \$2.5 million annually in the Lincoln and Gilbert initiative to support the growth of minority-owned businesses.

To date, the City has provided \$5 million to the Lincoln and Gilbert initiative. Further, the City has significantly invested in growing minority-owned businesses—both through investments with partners supporting minority-owned businesses as well as through providing additional resources and policies for economic development projects that support minority-owned businesses. Before allocating additional resources to this initiative, the Administration recommends completing the process to clearly establish strategic economic development objectives for the City, as discussed in detail in Section II of this report, and reviewing the structure and impact of the previous investment.

#### Police and Fire Operational Studies – Pages 47-48

The Futures Commission report recommends that the City engage in an in-depth study of police and fire operations. That process is underway with a contractor already engaged to assess facility and operational needs of both police and fire. The study is analyzing operations to benchmark against peers, identify industry best practices, and suggest any adjustments to facilities and staffing necessary to maintain and improve public safety services. The City has engaged a vendor and the FY 2025 Budget Update includes \$2 million to fully fund this study.

The project is broken out into five phases:

- Phase A: Data Collection, June 2024 – July 2024
- Phase B: Space and Programming Needs Assessment, June 2024 – October 2024
- Phase C: Facilities Condition Assessment, August 2024 – January 2025
- Phase D: Sustainability Strategy, September 2024 – December 2024
- Phase E: Public Safety Facilities Master Plan, January 2025 – July 2025

The report also mentions increased use of civilians within Police. Police Chief Teresa Theetge is leading an ongoing effort to examine the use of civilians for the work of the Cincinnati Police Department (CPD). In the FY 2025 Budget Update, there are

personnel changes that will return four sworn officers to the street. The City has also proposed civilianization efforts through the ongoing collective bargaining negotiation process.

It is important to highlight that the Futures Commission report's discussion related to public safety does not fully account for the realities of the collective bargaining negotiation process. The report states that the City should maintain its annual expense growth for public safety at 2.7% (Page 45). This recommendation is not feasible, without forced staffing reductions. Police and Fire expenditure growth is largely driven by wage increases negotiated through the collective bargaining process, which is controlled by state law. In the absence of a negotiated agreement, wage increases are decided by a third-party in mediation. Over the last ten years, this process has driven an average expense growth rate of 3.6% per year for CPD and 4.9% per year for Fire. Any plan to create a more sustainable financial structure for the City must account for the realities of collective bargaining.

#### Billing for Emergency Medical Services (EMS) – Page 48

The Futures Commission report recommends that the City adjust its policies around EMS fees and reimbursement to increase revenues, specifically by accessing additional federal funds through the Ground Emergency Medical Transport program. To do this, the State of Ohio must expand Medicaid benefits to encompass this program, and the City is underway in working with its lobbyist to advocate for this expansion. Additionally, in alignment with the stated goal of the recommendation, the City has already reviewed and updated its EMS billing rates.

#### Performance Management and Performance-Based Budgeting – Page 54

The Futures Commission report generally recommends leveraging data to improve public services—mentioning specifically applications for the Department of Public Services as well as budgeting. The Administration has been hard at work on this for several years and continues to make great strides, in line with the recommendation.

The adoption of data-based management practices has been a primary strategic goal of the Administration for City operations. These efforts include implementing a rigorous performance management process and putting the City on a three-year plan to migrate from pure continuation budgeting to performance-based budgeting.

The recommendation for use of performance management to improve Fleet operations is also aligned with ongoing efforts. The Administration has been working over the last two years to modernize our fleet management and routing processes—including investments in technology and staffing. The FY2025 Budget Update includes a new data analyst position to further this work.

This progress lays a deep foundation for lasting operational improvements, and the City appreciates the Futures Commission report’s recommendation and recognition of this work’s value.

### Gainsharing – Page 55

The report recommends the adoption of a gainsharing strategy — a process by which employees who reduce costs while maintaining service standards can receive a share of the savings from increased operational efficiency. The City is employing a version of gainsharing strategy in its Green Cincinnati Revolving Loan Fund, where Departments can re-capture operating funds saved via sustainability projects. The FY 2025 Budget Update includes a significant contribution to this revolving loan fund.

The report identifies other opportunities to employ a gainsharing strategy to create additional operating efficiencies. The City Administration will work internally to identify feasible opportunities, including for fleet maintenance.

### Cincinnati Southern Railway Recommendations – Pages 65-67

The Futures Commission report acknowledges the forthcoming benefits stemming from the sale of the Cincinnati Southern Railway. The report recommends focusing investment on road repaving; pedestrian-friendly infrastructure; and parks, recreation, and public safety facilities. It also recommends focusing investments on projects that will create operating budget savings.

In the FY 2025 Budget Update, the City laid out the first installment of the Cincy On Track initiative, an effort to provide a high-level of transparency on investment of the proceeds from the sale of the railway. Of the \$29.2 million available for this year, 59.7% is being invested in road and bridge repair projects—including pedestrian-friendly infrastructure such as the Complete Streets overhaul of Victory Parkway. The remaining resources are split among investments in parks, recreation, health, and other city facilities. These investments closely track the recommendation from the report.

FY26 will be the first year where the City expects to see a substantial increase in capital resources from the sale of the Cincinnati Southern Railway. To prepare the Administration continues to enhance the structure, sophistication, and transparency of capital resource allocation decisions. The report’s recommendations will be incorporated into those efforts.

### Admission Tax Changes – Page 70

The Futures Commission report recommends changing the City’s Admission Tax to better capture revenue from resale of tickets through third-party resellers. In January of 2024, Council approved an amendment to the Cincinnati Municipal Code to accomplish this.

## Parking Enforcement and Meters – Page 71

The Futures Commission report recommends increasing parking enforcement, expanding parking meter assets, and removing peak hour parking restrictions.

Work on increasing parking enforcement has been well underway for over a year through an Administration initiative to identify service delivery challenges and opportunities for increased efficiency and revenue generation. This work resulted in a staffing proposal that was included in the FY 2025 Budget Update. By converting existing, vacant part-time positions to full-time positions, adding four Parking Enforcement Officers, and filling all current vacant Parking Enforcement Officer positions, the City has more than doubled the number of deployed Parking Enforcement Officers as of July 1, 2024. This will allow for significant increases in service delivery and increased revenues. This work tightly aligns to the recommendation contained within the report.

Regarding the footprint of meters, the Administration is establishing a process for periodic curb usage review, which will include review for addition of on-street meters. Additional curb usage fees are also being explored.

The Futures Commission report also recommends removal of rush hour lane restrictions. Based on a motion dated May 31, 2022 (Item# 202201296) and outlined in an Administration report (Item# 202201915) DOTE has an ongoing initiative to re-evaluate rush hour lane restrictions and remove these restrictions where possible. Recently rush hour lane restrictions have been removed on State Avenue in Lower Price Hill, Hamilton Avenue and North Bend in College Hill, Woodburn Avenue in East Walnut Hills, E. McMillan Avenue in Walnut Hills, and Observatory Avenue in Hyde Park. Upcoming removals are planned for W. McMillan Avenue in CUF, Burnet Avenue in Avondale, and Gilbert Avenue in Walnut Hills. Rush hour lane restrictions in the Central Business District are currently being studied and removals will be completed by mid-2025.

## **II. Recommendations Requiring Additional Policy Guidance or a Vote of the Electorate**

### Economic Development Strategic Objectives and Measures (Page 17) and Economic Development Service Delivery (Pages 22-23)

The Futures Commission report criticizes the City for a lack of clear communication of defined economic development goals and measures and also critiques the City's service delivery related to economic development.

While the Mayor and our elected officials have clearly articulated their goal of equitable growth for our City, a clear, written, and collective statement of strategic objectives for this growth from the Mayor and Council would be helpful in achieving

that goal. It will enable the City Administration to offer specific recommendations about administrative structure, staffing, capital investments, and measurable metrics to track progress in achieving these objectives. The City Administration is prepared to facilitate a process to achieve this collective statement of strategic objectives.

We acknowledge that the service delivery challenges identified in the report are real, and we have been diligently focused on solutions. Many of the challenges identified in the report are the result of years of insufficient resources, lack of management oversight, and failure to prioritize long-term initiatives needed to address inefficiencies. Although these issues will take time to correct, significant process has already been made on addressing staffing challenges in the Department of Building and Inspections, streamlining processes in the Department of Community and Economic Development, and securing technology improvements for permitting and development applications.

The Futures Commission report recommends a consultant-led development services review and the establishment of an Office of Strategic Growth. The Administration recommends that consideration of these recommendations be sequenced after the clarification of strategic objectives (discussed above) is completed. This sequencing will ensure that, if pursued, these efforts are structured and aligned properly with those objectives.

#### Increase Earnings Tax by 0.1% for Economic Development Initiatives – Page 39

The Futures Commission report proposes a 0.1% earnings tax increase to fund economic development initiatives. As noted in the report, this requires voter approval. This change would raise approximately \$23 million per year. The proposed expenditures related to this recommendation are largely a question of economic development policy. If the City's elected officials choose to pursue this recommendation, the Administration is available to support that process and will develop an administrative plan for implementation. As described above and in line with the report, the Administration recommends that as a first step, the City's elected officials articulate their strategic objectives for economic development in a consolidated written statement to aid in communication to the public and structuring of any investments of resources.

#### Increase Earnings Tax by 0.05% for Public Safety Expenses – Page 49

The Futures Commission report recommends a 0.05% earnings tax increase to support public safety spending. As noted in the report, this will also require voter approval. This change would raise approximately \$11.5 million per year. If the City's elected officials choose to pursue this recommendation, one aspect to consider for this recommendation is how, as proposed, this revenue growth could lead to accelerated expense growth beyond the recommended 2.7% growth per year, in light of the collective bargaining process. Another aspect to consider is the timebound nature of the proposed tax increase. Public safety spending is primarily wages for personnel,



which is an ongoing expense. If the income tax increase were not renewed, adjusting to this significant loss of revenue would likely require layoffs.

### Create A Waste Collection Fee – Pages 52-53

The Futures Commission report recommends establishing a waste collection fee. As noted in the report, the Charter requires voter approval for the proposed fee. The Futures Commission report projects that the proposed fee would raise \$164 million over ten years, or \$16.4 million per year. If the City’s elected officials choose to pursue this recommendation, the Administration will develop a proposed plan for implementation, billing, and collection, including a plan for specifying criteria and verifying eligibility for the proposed reduced fee.

### Redeploy Smale 0.1% Infrastructure Income Tax to Fund City Operations – Page 69

The Futures Commission report recommends passing an ordinance to redirect a portion of the revenue received under the City’s 0.1% income tax, the “Smale Tax,” for infrastructure spending. As proposed, this recommendation is not feasible. The Ohio Constitution strictly regulates municipal income tax processes and requires that (1) Every income tax be approved by the voters and (2) Income taxes must be used only for the purpose stated in the ballot language.

The Smale Tax was approved by the Cincinnati electorate in 1988 for the specific purpose of providing for “direct and indirect costs related to the construction, operation, maintenance, equipment and repair of the city’s streets, bridges, parks and recreation areas, buildings, structures, fixtures, and other portions of the infrastructure.” Given the Ohio Constitution’s limits on municipal income tax and the stated purpose of the Smale Tax, the proposed change to how the Smale Tax is deployed requires approval by the electorate and may not be accomplished by an act of City Council alone.

## **III. Recommendations Requiring Additional Due Diligence**

The Futures Commission report recommends some changes that require further due diligence before the City Administration can present options to the Mayor and Council. These include changes to the City’s pension, sale of the assets of Greater Cincinnati Water Works, shared Parks and Recreation services, and the sale or lease of City real property assets.

### Transfer the City’s Pension to the Ohio Public Employees Retirement System (OPERS) – Pages 56-59

The City Administration will evaluate the report’s recommendation that the City transfer the Cincinnati Retirement System (CRS) to the OPERS. The initial evaluation will be done by an internal working group and focused on determining the State’s criteria for accepting CRS into OPERS and identifying impacts to the City’s active and retired employees.

As a threshold matter, a transition of the CRS to OPERS would involve significant benefit changes for employees and retirees. Therefore, this recommendation must be diligently studied to understand those impacts before any decisions are made.

Further, any migration of CRS into OPERS is contingent upon court approval. The City's pension is subject to a Collaborative Settlement Agreement (CSA) that governs certain obligations of the City related to CRS. Pursuing the report's recommendation that CRS transfer to OPERS would require a renegotiation of CSA terms, which are currently in effect until 2045. Finally, any change impacting employees or retiree benefits could result in legal challenges from the parties to the CSA and existing members of the pension.

Once the initial evaluation of this recommendation is completed, the Administration will provide a formal report to the Mayor and Council to support additional policy discussions on this recommendation.

#### Regional Water Authority – Pages 59-64

The Futures Commission report recommends monetizing Greater Cincinnati Water Works (GCWW) by selling its assets to a newly created regional water district.

The recommendation is premised on the concept that the funds realized by the sale will provide cash resources that can be utilized as a lump sum contribution to CRS to raise its funding levels to what OPERS will require for the recommended transfer. The report estimates the cash payment for GCWW assets as \$680 million. The report does not provide an in-depth analysis of how this transaction would be structured, how ratepayers would be impacted by the sale, or how the resulting liability will impact the regional water authority. For context, all currently outstanding debt for GCWW operations is approximately \$422 million. It also does not provide an analysis on the impacts to current GCWW employees or to CRS from the loss of their contributions. The recommendation is further premised on the concept that GCWW's growth is being curtailed as a result of its current legal structure.

The report does acknowledge the need for additional extensive due diligence and voter approval to change the Cincinnati Charter to allow the transaction. The Administration agrees that additional and extensive due diligence of this recommendation is needed, including an analysis of the above premises. Further, the analysis must closely investigate the benefit to the City, as opposed to benefits to the region, from the proposed transaction—as there are many City-specific benefits that arise from GCWW being a city-owned enterprise.

Therefore, the Administration supports the report's recommendation of creating a dedicated task force comprised of, among others, GCWW and MSD staff and consultant experts as needed to fully examine this proposal. This task force will have to be structured with legal guidance.

## Shared Services for Parks and Recreation Operations – Pages 49-51

The Futures Commission report recommends further diligence of several efficiency proposals related to Parks and Recreation operations and facilities—including shared services between the two departments and exploring outsourcing management of certain facilities to Great Parks of Hamilton County. The Administration recommends that the Park Board and Recreation Commission undergo a feasibility assessment and produce a report outlining the findings and opportunities.

## Sale or Lease of City Assets – Page 72

The Futures Commission report recommends the divestiture or lease of City assets that do not support what the Commission considers core services of the City, including City-owned golf courses, parking assets, and Lunken Airport. The recommendation suggests that the sale or lease of these assets can generate revenue to the City or be leveraged as development incentives. Consistent with this recommendation, City staff will assemble a catalogue of City assets, and the City Solicitor will provide an opinion laying out the parameters for disposition. Once this process is complete, the creation of one or more task forces may be appropriate to perform necessary due diligence to understand the impacts of divesting each asset and make recommendations.

## Conclusion

Thank you again to the business, labor, and civic leaders who volunteered their time to take on our most difficult challenges and recommend strategies for our City to thrive. As City manager, I am encouraged that the Futures Commission is in alignment with the vision that our elected officials have articulated, evidenced by the number of recommendations that are in close alignment with ongoing or completed policy and administrative initiatives. However, as noted above, some recommendations require further discussion and diligence.

The City Administration looks forward to supporting our elected officials as they undertake the challenging task of making decisions about the City's future. I am energized by the work that remains and look forward to creating a Cincinnati for all to thrive.