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CY 2024 Tentative Tax Budget Overview

December 12, 2022

What is the TTB?

- The tentative tax budget (TTB) is how Council sets the City's property tax rate—divided between the operating millage and debt millage—and is required under Ohio law.

- Property tax rates are set and collected based on a calendar year. The TTB is the only opportunity City Council has to set a property tax millage rate for CY 2024.

- The City's Fiscal Year runs from July 1 through June 30.

<table>
<tr><td>Calendar Year</td><td colspan="2">CY 2023</td><td colspan="2">CY 2024</td><td colspan="2">CY 2025</td></tr>
<tr><td>City Operating Millage</td><td colspan="2">4.84 Mills</td><td colspan="2">6.1 Mills</td><td colspan="2">6.1 Mills</td></tr>
<tr><td>City Fiscal Year</td><td>FY 23</td><td colspan="2">FY 2024</td><td colspan="2">FY 2025</td><td>FY 2026</td></tr>
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- The City's next fiscal year budget (the FY2024-2025 Biennial Budget) will only capture 6 months worth of revenue from CY 2024 tax rates.

- The ensuing fiscal year (FY25) would capture 12 months of revenue if Council maintains the recommended 6.1 mills.

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Important Dates and Deadlines

- Budget and Finance Committee's Tentative Tax Budget Public Hearing – December 12, 2022.
- City Council approval of the Tentative Tax Budget Resolution on December 15, 2022. Must be approved by January 15, 2023.
- County Budget Commission has final approval of millage rates. City Administration attends the Commission hearing to support the requested millage rate.
- While the TTB meets the state's requirements, it does not set the FY 2024 Operating Budget.

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How did we get here?

- In 1999, City Council supported a tax reduction from the City's approved 6.1 operating mills for FY2000 with the idea of keeping the City's property tax operating revenue flat at approximately $28.9 million.

- Prior to this policy, the City's standard operating millage was 6.1 mills, as was approved by voters and is in the City's Charter.

- With limited exceptions, this policy has perpetuated since then—keeping property tax revenues for operations flat.

Collection Year	General Fund Millage	County Estimated Revenue
1985-1994	6.1	
1995	6.1	28,062,440
1996	6.1	28,050,000
1997	6.1	30,240,000
1998	6.1	28,853,000
1999	6.1	28,799,558
2000	5.54	29,242,312
2001	5.4	28,649,743
2002	5.4	29,243,724
2003	5.27	31,216,595
2004	5	28,988,245
2005	4.98	29,138,985
2006	4.83	28,984,621
2007	4.57	28,989,038
2008	4.53	29,131,866
2009	4.53	29,030,587
2010	4.46	29,038,490
2011	4.6	26,727,882
2012	4.6	23,992,902
2013	4.6	23,493,120
2014	5.7	28,993,050
2015	5.6	28,342,720
2016	5.6	29,069,600
2017	5.54	29,029,600
2018	5.54	29,389,700
2019	5.16	28,988,880
2020	5.19	28,986,150
2021	5.02	29,013,350
2022	3.97	28,996,314
2023	4.84	28,979,133

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What does that mean?

- As operating expenses have grown, the lack of growth in property tax revenue has led to an <u>increasing reliance on income tax</u>.

- Since the rollback policy went into effect, the State has drastically reduced the shared revenue received by the City—further increasing this reliance.

Change in Proportion of GF Operating Sources - FY2000-FY2024			
	FY2000	**FY2024**	**Change**
Income Tax	61%	73%	**12%**
Other	13%	15%	**2%**
Property Tax	10%	6%	**-4%**
State Shared Revenue	16%	3%	**-13%**
ARP	0%	3%	**3%**

Growth of GF Operating Sources - FY2000-FY2024			
	FY2000	**FY2024**	**% Change**
Income Tax	$ 185,190,000	$350,000,000	**89%**
Other	$ 40,010,000	$ 70,961,926	**77%**
Property Tax	$ 29,097,600	$ 28,900,000	**-1%**
State Shared Revenue	$ 48,799,100	$ 14,700,000	**-70%**
ARP	N/A	$ 20,315,438	**0%**
Total	$ 303,096,700	$484,877,364	**60%**

*FY24 Projections shown with Rollback Policy in place

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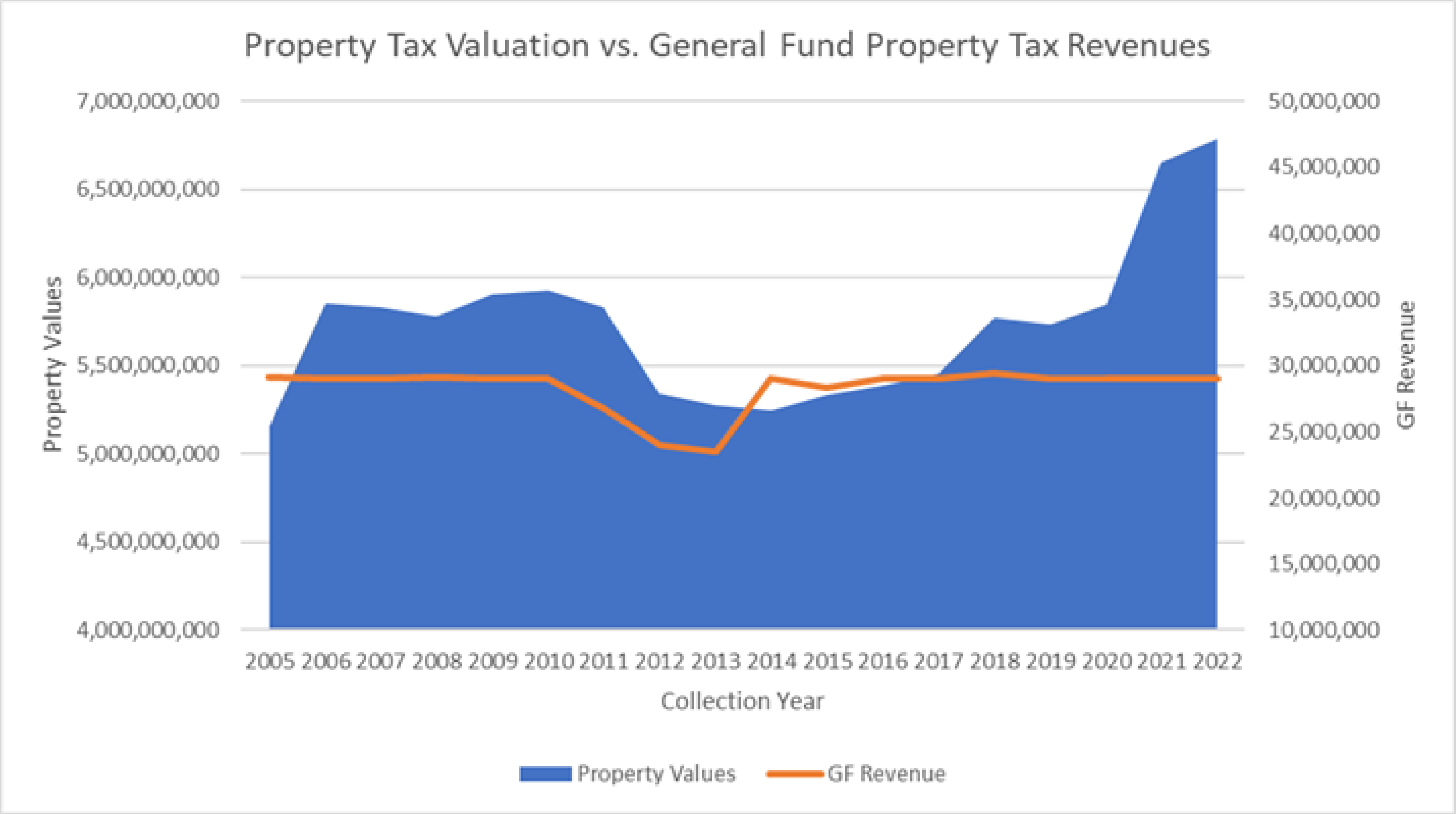
Property Tax Valuation vs. General Fund Property Tax Revenue

Since 2005, the City's property tax base has grown by over $1.5 billion and the City has realized no operating revenue gains from it.



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Overview of Recommendation

- The City Administration is recommending that Council set the CY 2024 operating millage tax rate at 6.1 mills, which is the amount voters approved and is stated in the City's Charter.

- We need to plan for the future. Federal resources are currently being utilized cover operating expenses; however, those resources are only available for two additional years.

- Long-term financial health of the City requires that we diversify revenue sources and reduce reliance on income tax. The rollback policy has increased reliance on income tax and not allowed the City to benefit from a growing tax base.

- Revenue is not projected to grow at a rate sufficient to cover operating expenses—leading to operating deficits. Additional revenue will reduce future operating deficits.

- CY2024 debt millage covers City debt service and is recommended to stay the same at 7.5 mills.

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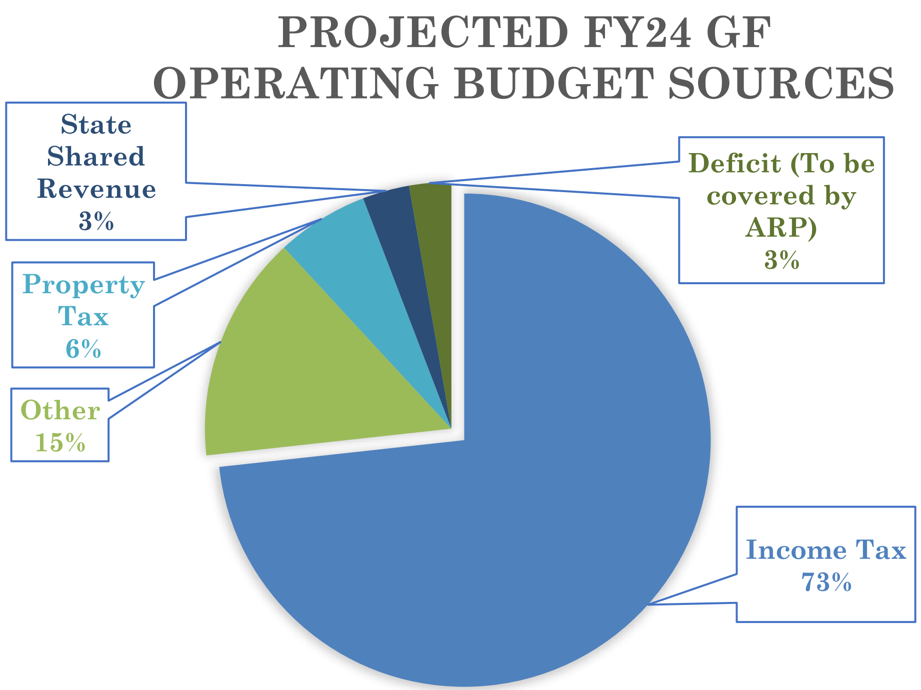
FY 2024 Projections Update

- Updated FY 2024 income tax projections from UC Economics Center's Economic Forecast projects a 2.45% increase in income tax revenue—resulting in a $6.8 million increase in expected revenue.

- City remains heavily reliant on income tax revenue, the stability of which is at risk due to impacts of the pandemic on work habits.



- The Administration plans to recommend utilizing one-time American Rescue Plan (ARP) dollars to close the remaining operating deficit in FY24.

- ARP funds not needed for covering operating expenses may be utilized for eligible one-time capital expenditures—such as deferred capital maintenance.

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Projected Property Tax Revenue FY24 – FY27

	FY 2024	FY 2025	FY 2026	FY 2027
Rollback Millage	$ 28,900,000	$ 28,900,000	$ 28,900,000	$ 28,900,000
Recommended Millage (6.1)	$36,068,768	$44,102,287	$44,984,332	$45,884,019
Reduced Revenue under Rollback	$ (7,168,768)	$ (15,202,287)	$ (16,084,332)	$ (16,984,019)
Current Millage (4.84)	$31,868,768	$32,506,143	$33,156,266	$33,819,392
Recommended Millage (6.1)	$36,068,768	$41,074,143	$41,895,626	$42,733,539
Reduced Revenue @ 4.84 Mills	$ (4,200,000)	$ (8,568,000)	$ (8,739,360)	$ (8,914,147)

- Assumes a 2.0% property tax base growth.
- Revenue increase in FY25 is due to collection of a full 12 months of revenue at the stated millage.

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FY 2024-2027 Projected Operating Deficits

	FY 2024	FY 2025	FY 2026	FY 2027
Current Projected Operating Budget Deficits*	**$ 20,315,438**	**$ 27,895,096**	**$ 33,113,543**	**$ 38,558,872**
Additional Revenue @ 6.1 Mills	$ 7,168,768	$ 15,418,474	$ 16,526,436	$ 17,662,097
Adjusted Operating Budget Deficit with Additional Revenue	**$ 13,146,670**	**$ 12,476,622**	**$ 16,587,107**	**$ 20,896,775**

*Assumes no increases to projected operating expenditures

- Expenditures have outpaced revenues due to increased labor costs, increased non-personnel costs, and increased expenditure trends that will continue through FY 2024 and into future fiscal years.

- Any future operating deficits will have to be addressed through department reductions—impacting staffing levels and service delivery.

- Addressing long-term financial struggles, such as the City's pension obligations, or investing in additional services or projects are difficult or impossible with an operating deficit.

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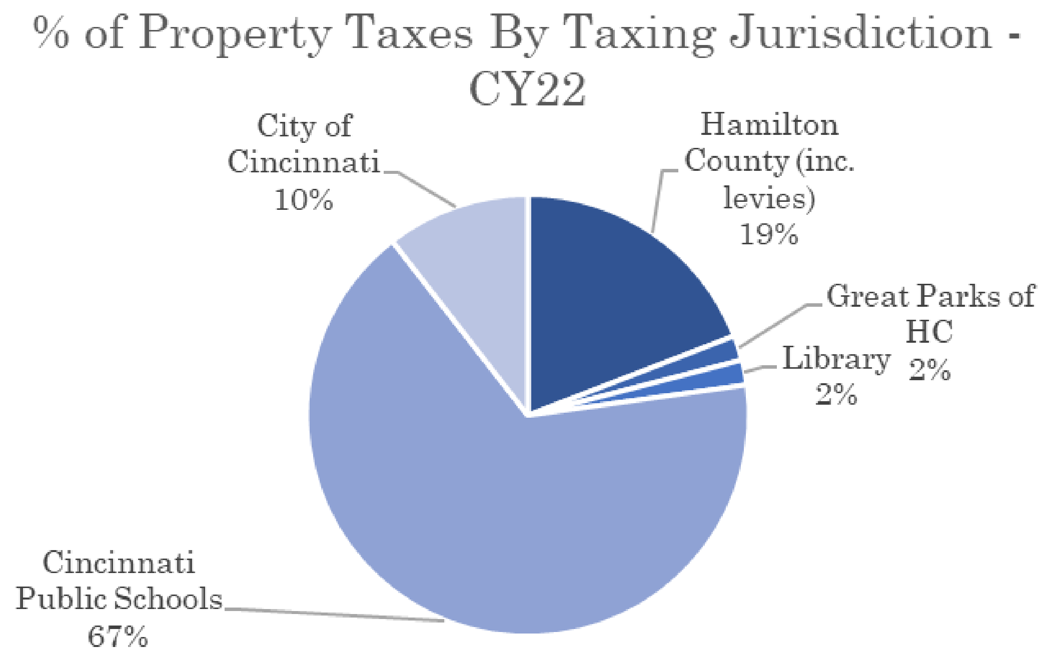
How much of a tax increase is this?

- The recommended increase is a 1.26 mill increase above the CY 2023 operating millage rate of 4.84.
- This **represents a 1.15% increase**, based on the total full millage rate from CY 2022 of 109.20 mills.
- City's current millage (CY22) currently comprises only 10.5% of a resident's overall tax bill.
- If approved, the City's proportion would total approximately 11.5%, based on CY22 rates.



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What is the additional cost to property owners?

- The annual increased cost of the additional 1.26 mills is determined by the market value of the property.

Residential Home Value	Annual Cost	Per Month Cost
$100,000	$ 39.00	$ 3.25
$200,000	$ 77.00	$ 6.42
$300,000	$ 116.00	$ 9.67

- According to MLS data as of November 2022, the median sale price for a home in Hamilton County is apx. $240,000 ($92.61 annual/$7.72 monthly).

- Final property taxes are calculated by the Hamilton County Auditor with the amount due based on the taxable value of a property (35%) and applicable reduction factors.

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What benefits can City residents expect?

- The City Administration has been working in coordination with the Mayor's Office and Council on proposed FY24 initiatives that will benefit City residents—including investments in housing and youth employment.

- The majority of new FY24 expenditures are aimed at growing or maintaining our tax base—generating additional revenue.

  - Housing and neighborhood development programs can grow or maintain the tax base by investing in new development or rehabilitation of existing buildings.
  - Code enforcement programs can generate direct revenue and also protect property values.
  - Youth employment programs will contribute income tax and set our youth up for careers with higher wages.

- Investments in tenant protections avoid greater additional expense in addressing homelessness and preserve resident's economic stability.

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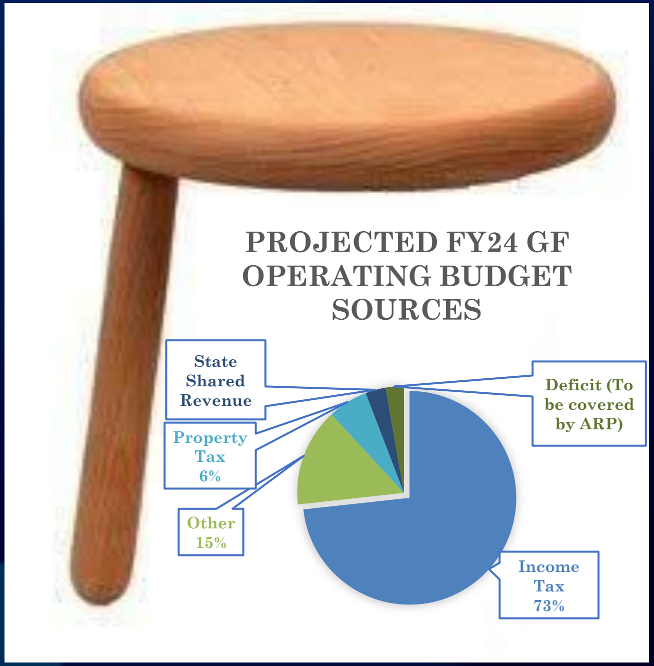
Conclusion



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