

December 16, 2020

To: Mayor and Members of City Council 202002188
From: Paul Boggs Muething, City Manager
Subject: EMERGENCY RESOLUTION–Adopting the Annual Tentative Tax Budget for 2022-Version A

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 2022 and submitting the same to the County Auditor.

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 15th and submit it to the Hamilton County Auditor no later than January 20th preceding the calendar year to which it applies.

Please note that approval by the City Council of these items to meet the state's technical requirements does not set the final FY 2022 Budget which runs from July 1, 2021 to June 30, 2022. The FY 2022 Recommended Budget will be structurally balanced and submitted for approval to the City Council prior to June 30, 2021.

The CY 2022 Tentative Tax Budget contains the required information on all required funds, including the General Fund. As required by law, a public hearing is scheduled for January 4, 2021 at 1:00 pm in the Budget and Finance Committee. This Tentative Tax Budget must be approved by the City Council no later than January 15, 2021, per the Ohio Revised Code.

The CY 2022 Tentative Tax Budget – Version A sets the operating millage at 6.1mills. The 6.1 operating millage is a 1.08 mill increase above the CY 2021 operating millage of 5.02 mills, and the increase generates an additional \$2.8 million in property tax dollars in the General Fund for FY 2022. The 1.08 mill increase equates to a \$33 annual property tax increase per \$100,000 of residential property value. The debt service millage is estimated to remain at 7.5 mills for CY 2022.

Version A projects revenue of \$429.9 million and expenditures of \$452.8 million. The additional \$2.8 million of property tax revenue generated from the 1.08 mill reduces the projected deficit to \$22.9 million excluding the use of prior year fund balance as compared to

Version B. The deficit is a result of the growth in expenditures outpacing the revenue growth. Projected increases to expenditures for FY 2022 include a 5% cost-of-living-adjustment (COLA) for sworn employees and a 2% COLA for non-sworn employees, as well as an increase to health care premiums for CY 2022. The projected deficit also includes known cost increases expected in FY 2022 for items such as increases to sworn overtime to offset projected attrition, a Fire Recruit Class, and various contractual increases including the expanded Police ShotSpotter contract. Without raising revenues, the reduction to close the deficit equates to a 5.06% across the board reduction for all departments or a 15.77% reduction if public safety departments are exempt from cuts. The Administration is working to identify solutions to close the operating deficit and will ultimately recommend a structurally balanced budget for FY 2022. It has become increasingly difficult to balance the budget given the annual reductions in expenditures by non-public safety departments without reducing service levels and layoffs.

The CY 2022 Tentative Tax Budget is being transmitted with two versions for consideration as follows:

	Version A	Version B
CY 2021 Operating Mills	5.02	5.02
Proposed CY 2022 Operating Mills	6.10	5.15
Projected FY 2022 GF Budget Deficit	\$ (22,905,140)	\$ (25,665,408)
Proposed CY 2022 Debt Mills	7.50	7.50

The Administration recommends approval of the attached Version A, CY 2022 Tentative Tax Budget and Emergency Resolution.

c: Christopher A. Bigham, Assistant City Manager
 Karen Alder, Finance Director

Attachments