

December 7, 2022

To: Mayor and Members of City Council

From: Sheryl M. M. Long, City Manager 202202139

Subject: Finance and Budget Monitoring Report for the Period Ending September 30, 2022

The purpose of this report is to provide the City Council with the status of the City's Fiscal Year (FY) 2023 financial and operating budget conditions as of September 30, 2022, to note any significant variances, identify potential budget issues, and provide recommendations. The report is divided into two sections: revenues and expenditures. Various supplemental reports are attached to reflect forecasted revenue, actual revenue, expenditures, and commitments through September 30, 2022.

The following Citywide issues may impact the General Fund 050, Special Revenue Funds, and Enterprise Funds.

1. General Fund revenues are greater than projected by \$3.5 million through the end of September. However, this report highlights increased potential expenditure needs in the amount of \$5.1 million.
2. Overtime in the Cincinnati Fire Department (CFD) and the Cincinnati Police Department (CPD) is currently outpacing the budget. In CFD, the increased overtime is primarily driven by the increased attrition experienced over the past several years. The department is required to use overtime to backfill the vacant positions. The graduation of Recruit Class #120 is expected to reduce overtime usage starting in the spring of 2023. If overtime trends do not curtail, the CFD projects a need of up to \$4.1 million by fiscal year end due to increased overtime. In CPD, the increased overtime is primarily due to Police Visibility Overtime (PVO) related to Downtown Event Deployment to curb violence and for large public events such as BLINK, Oktoberfest Zinzinnati, and Cincinnati Bengals home football games. Increased overtime is also required due to a higher vacancy rate of sworn positions, which is expected to curtail when the 113th Recruit Class graduates this winter.
3. The Approved FY 2022 Budget included a 2.0% wage increase for Cincinnati Organized and Dedicated Employees (CODE). The wage increase was not paid in FY 2022 as contract negotiations were still underway. Following the report of a fact finder in September 2022, which was approved by the City Council on

October 5, 2022, through Ordinance No. 0312-2022, the new labor agreement includes a 5.0% wage increase retroactive to March 2022. Supplemental appropriations may be required to cover the additional cost of the wage increase over the budgeted amount as well as the retroactive pay.

4. The Approved FY 2023 Budget Update included a 3.0% wage increase for CODE. The fact finder's report, which was approved by the City Council on October 5, 2022, through Ordinance No. 0312-2022, includes a 4.0% wage increase for March 2023. Supplemental appropriations may be required to cover the cost of the wage increase over the budgeted amount.
5. Community Health Center Activities Fund 395 revenues continue to be negatively impacted by the lasting effects of the COVID-19 pandemic. Healthcare workers remain in high demand, which has resulted in a staffing shortage in nurses and medical assistants working in health centers. These staffing issues have impacted appointment availability and related revenue. The Cincinnati Health Department is continuing the hiring of temporary staff to alleviate staffing needs until the department can fill the permanent position vacancies. Revenue trends will continue to be closely monitored.
6. Parking meter revenue is below the estimate. However, many contractual service expenditures are based on revenue, so less revenue results in lower expenses in some cases. This will partially offset the reduction in revenue. The fund will be monitored closely to ensure expenditures do not outpace revenues.
7. The lasting impacts of the COVID-19 pandemic continue to impact supply chains and the costs of various goods and services. Departments report several areas of concern, including energy costs, vehicle repair and maintenance costs, and the supply of new vehicles. Trends in the energy sector show an increase in costs for natural gas, petroleum, etc. Supply chain issues have also resulted in the shortage of vehicle parts and semiconductor chips. Fleet repairs are becoming more difficult and more expensive in certain cases. The acquisition of new vehicles has also been affected by these issues. Fleet Services anticipates that new vehicles will be significantly delayed which may result in an operating budget need for vehicle leases until new vehicles become available and increased repair costs as older vehicles will remain in service for a longer than anticipated period of time. These issues will be monitored closely for budgetary and operational impacts.

REVENUE

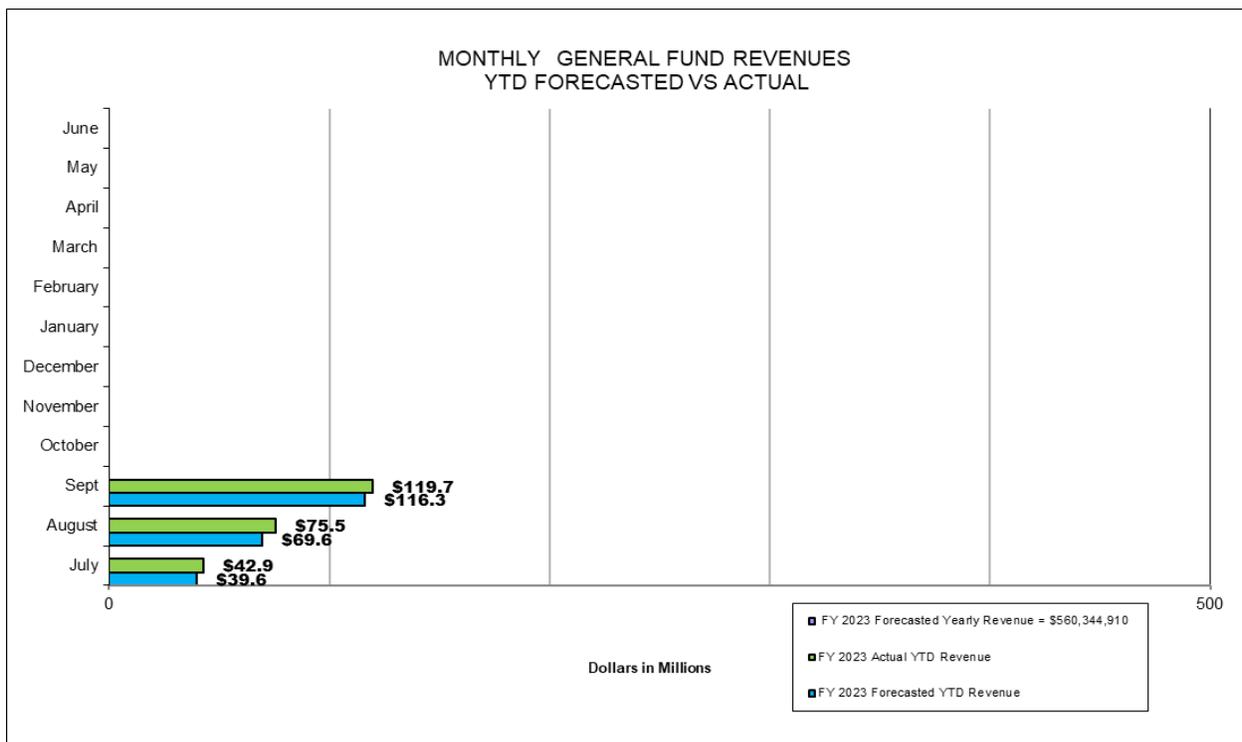
The following report provides an update on the City of Cincinnati's financial condition as of the month ending September 30, 2022. Variances are based on current year

estimates and prior year activity in attached schedules.

A more detailed explanation of revenues is attached for review, including reports comparing actual current year revenue versus forecasted revenue and prior year actual revenue versus current year actual revenue. Both reports are presented on a monthly and year-to-date basis.

I. GENERAL FUND 050

The chart below portrays the performance of actual revenue collected against the forecasted revenue collected through September 30, 2022 and shows that actual revenue of \$119.7 million was above forecasted revenue of \$116.3 million by \$3.4 million.



The major revenue components of the General Fund are listed in the table below. This table highlights the year-to-date variance (favorable and unfavorable) in General Fund revenue collections as compared to forecasted revenue collections. Each major category that differs significantly from forecasted collections will be discussed in further detail.

GENERAL FUND REVENUE SOURCES

	FAVORABLE VARIANCE	(UNFAVORABLE) VARIANCE
General Property Tax		(\$1,534,628)
City Income Tax	1,501,102	
Admissions Tax	953,456	
Short Term Rental Excise Tax	234,145	
Licenses & Permits		(\$131,216)
Fines, Forfeitures, & Penalties	556,688	
Investment Income	416,397	
Local Government	202,623	
Casino	300,052	
Police	560,885	
Buildings and Inspections	5,962	
Fire	423,744	
Parking Meter	150	
Other		(\$1,246)
	5,155,204	(\$1,667,090)
Difference	3,488,115	

General Fund (favorable variance) is \$3.5 million above the amount forecasted through September in the FY 2023 Budget. This is the third month's report for the new fiscal year. What follows is an explanation of significant variances of individual General Fund revenue components.

- 1. Property Tax (unfavorable variance) is \$1.5 million** below estimate due to the decrease in the millage rate for this half. The millage for the second half is set at a higher rate which will offset this unfavorable variance. The Administration anticipates Property Tax revenue will be on target at year end.
- 2. Income Tax (favorable variance) is \$1.5 million** above the forecasted amount. This amount can fluctuate throughout the year as quarterly net profits are due. The Administration will continue to watch the trends very closely.
- 3. Admission Tax (favorable variance) is \$953k** above estimate. As it is early in the fiscal year, Finance will monitor this revenue group. Many estimates have been set to pre-pandemic levels as businesses rebound. The estimate for the new music venue may require a closer look as it continues operations as well.
- 4. Fines, Forfeitures and Penalties (favorable variance) is up \$557k.** This is mostly attributed to an increase in Parking Fine collections.

II. RESTRICTED FUNDS

- A. Convention Center (favorable variance) is \$720k** above estimate. The venue is starting Fiscal Year 2023 better than it has in several years with many bookings taking place. The addition of many people returning to hotels has increased the transient occupancy tax revenue and that adds to the favorable variance.
- B. Cincinnati Health District (favorable variance) is up \$424k.** Federal Emergency Management Agency (FEMA) reimbursements were received that cover prior year COVID-19 expenses such as supplies and vaccine clinics. This was not estimated in FY 2023 as the timeliness of these reimbursements are difficult to know.
- C. Parking System Facilities (favorable variance) is \$407k above estimate.** The estimate was very conservative this year as the decline from the pandemic is still lingering in this category. We are monitoring how many companies are bringing their employees back to the office and utilizing the lots and garages. The actuals are still down from FY 2019.

EXPENDITURES

The following provides an update on the City of Cincinnati's operating budget position as of the month ending September 30, 2022. The attached Fund Summary Report provides the current budget, expenditures, and commitments of each appropriated fund. This report is presented on a year-to-date basis.

I. GENERAL FUND 050

As shown on the attached report, total expenditures are 21.4% of budget, and commitments are 25.5% of budget in the General Fund 050 as compared to the estimated period ending September 30, 2022, or 25.0% of the fiscal year. "Non-personnel expenses" are trending higher at 36.2% committed year to date due to encumbering twelve months of expenditures for certain commodities such as gas and electric costs, contractual services, and materials and supplies. This is not unusual for this reporting period.

The majority of departments have indicated their FY 2023 General Fund 050 appropriation will meet their budgetary needs through the end of the fiscal year. However, budget transfers may be necessary to move funds from divisions and programs with savings to others within the respective departments that have budget needs. These transfers will be included in the Final Adjustment Ordinance (FAO), which will be presented to the City Council in May 2023.

A. Budget Savings Identified

At this time, no General Fund 050 departments are projecting savings at the end of FY 2023. Any savings identified will be available to support budget needs in other departments and programs as necessary. Interdepartmental transfers of funds from one department to another will be included in the FAO as appropriate.

B. Budget Needs Identified

Based on current expenditure projections, the following General Fund 050 departments are forecasting a budget need in FY 2023. The departments have been advised to manage their appropriated resources so that supplemental appropriations will not be required. However, the Administration will continue to closely monitor these budgets in the coming months and work with the respective departments to mitigate the need for supplemental appropriations. As appropriate, any remaining budget needs will be addressed with the FAO.

1. Non-Departmental Accounts (\$1,000)

The Internal Revenue Service (IRS) limits the maximum employee benefit received from a defined contribution retirement plan. Per the Cincinnati Municipal Code (CMC), the City is responsible for covering the excess benefit amount which is paid from this account. An amount of \$1,000 is needed in this account in order to comply with IRS regulations.

2. Department of Human Resources (\$10,000)

The Department of Human Resources projects a need in non-personnel. The door at the main entrance is no longer functional and needs to be replaced to ensure safety and security. The replacement is estimated at \$10,000.

3. Citizen Complaint Authority (\$40,000)

The Citizen Complaint Authority (CCA) projects a possible personnel need resulting from vacant positions that were filled at higher than anticipated salaries as well as anticipated equity salary adjustments. Additionally, the department is projecting a non-personnel need resulting from a FY 2022 computer expense that was not properly encumbered as well as telephone expenses for cell phones for investigators.

4. Cincinnati Police Department (\$925,000)

The Cincinnati Police Department (CPD) projects an overall need of approximately \$925,000 primarily due to personnel expense overages. Personnel overages are attributed to increased Police Visibility Overtime (PVO) related to Downtown Event Deployment to curb violence and for large public events such as BLINK, Oktoberfest Zinzinnati, and Cincinnati Bengals home football games.

Increased overtime is also required due to a higher vacancy rate of sworn positions, which is expected to curtail when the 113th Recruit Class graduates this winter. A small need is also projected in non-personnel related to software maintenance. Personnel and non-personnel expenditures will be closely monitored over the next few months.

5. Cincinnati Fire Department (\$4.1 million)

The Cincinnati Department (CFD) projects a total need of up to \$4.1 million primarily due to overtime. Increased attrition over the past several years has necessitated the use of overtime to backfill vacant positions. The graduation of Recruit Class #120 is expected to reduce overtime usage starting in the spring of 2023. If overtime trends do not curtail, the CFD projects a need of up to \$4.1 million by fiscal year end due to increased overtime. However, this need may be partially offset by non-personnel savings. Both the department and the Office of Budget and Evaluation will continue to closely monitor staffing trends and overtime needs.

C. Within Budget, Intradepartmental Budget Transfers May Be Needed

Numerous General Fund 050 departments have indicated the ability to manage their resources within their appropriation. However, budget adjustments within their departments may be required. These transfers are referred to as Intradepartmental Budget Transfers. Unless noted otherwise, these Intradepartmental Budget Transfers will be included in the FAO, which will be presented to the City Council for approval in May 2023.

1. Clerk of Council

The Clerk of Council's Office projects a potential non-personnel need due to evening neighborhood meetings, which are held twice a month. Each meeting costs an estimated \$1,000. This ongoing expense will be monitored and addressed in a budget adjustment ordinance if necessary.

2. Enterprise Technology Solutions

The Department of Enterprise Technology Solutions projects no budget savings or need at this time, pending reimbursement processing.

3. City Manager's Office

The City Manager's Office projects no budget savings or need at this time. However, a potential non-personnel need may arise related to Infrastructure Investment and Jobs Act (IIJA) grant application consulting services.

4. City Manager's Office: Office of Communications

The Office of Communications projects no budget savings or need at this time.

- 5. City Manager's Office: Office of Human Relations**
The Office of Human Relations projects no budget savings or need at this time.
- 6. City Manager's Office: Office of Budget and Evaluation**
The Office of Budget and Evaluation projects no budget savings or need at this time, pending reimbursement processing.
- 7. City Manager's Office: Emergency Communications Center (ECC)**
The Emergency Communications Center projects no budget savings or need at this time. However, a need may arise related to the 311 service line chat tool software.
- 8. City Manager's Office: Office of Environment and Sustainability**
The Office of Environment and Sustainability projects no budget savings or need at this time.
- 9. City Manager's Office: Office of Procurement**
The Office of Procurement projects no budget savings or need at this time.
- 10. City Manager's Office: Office of Performance and Data Analytics (OPDA)**
The Office of Performance and Data Analytics projects potential personnel savings, which will be monitored. No savings or needs are anticipated in the non-personnel budget.
- 11. City Manager's Office: Internal Audit**
Internal Audit projects a possible personnel need. The budget will be monitored for a possible shortfall, which can be resolved in the Final Adjustment Ordinance if necessary.
- 12. Department of Law**
The Department of Law projects no budget savings or need at this time.
- 13. Department of Finance**
The Department of Finance projects no budget savings or need at this time.
- 14. Department of Community and Economic Development**
The Department of Community and Economic Development (DCED) projects a non-personnel need due to Shillito's West annual operating expenses. Additionally, there is a potential personnel need in the Housing Division. These needs will be offset by personnel savings in the Economic Development Division. Transfers between agencies may be required as part of the Final Adjustment Ordinance.

15. Department of City Planning and Engagement

The Department of City Planning and Engagement projects a potential non-personnel need for the new community engagement functions. This includes computer equipment for the new staff as well as other expenses for community engagement efforts. These needs may be offset with position vacancy savings.

16. Cincinnati Recreation Commission

The Cincinnati Recreation Commission projects no budget savings or need at this time. The department has several reimbursements that will be processed in the coming months.

17. Cincinnati Parks Department

The Parks Department projects no budget savings or need at this time. However, transfers between agencies may be required as part of the Final Adjustment Ordinance.

18. Department of Buildings and Inspections

The Department of Buildings and Inspections projects no budget savings or need at this time. The department has several reimbursements that will be processed in the coming months.

19. Department of Transportation and Engineering

The Department of Transportation and Engineering projects no personnel budget savings or needs, pending reimbursement processing.

20. Department of Public Services

The Department of Public Services (DPS) reports a potential need in non-personnel related to increased utility costs due to stormwater rate increases. DPS projects utility expenses could create a budget need of approximately \$82,000. This need will be monitored closely as the fiscal year continues.

21. Department of Economic Inclusion

The Department of Economic Inclusion projects a potential personnel need due to being fully staffed. However, this need may be offset through additional reimbursements from the Income Tax-Infrastructure Fund for eligible work.

II. ENTERPRISE FUNDS

Enterprise Funds account for any activity for which a fee is charged to external users for goods or services. If an activity's principal revenue source meets any one of the following criteria, it is required to be reported as an enterprise fund: (1) an activity financed with debt that is secured solely by pledge of the net revenues from fees and

charges for the activity; (2) laws or regulations which require that the activity's costs of providing services, including capital costs, be recovered with fees and charges, rather than with taxes or similar revenues; or (3) pricing policies which establish fees and charges designed to recover the activity's costs.

A. Water Works Fund 101

Water Works Fund 101 is 16.7% expended year to date. The Greater Cincinnati Water Works (GCWW) projects a potential need in overtime, which will be offset by position vacancy savings. GCWW also projects a potential non-personnel need in contractual services due to an increase in gas costs. These needs will be monitored closely.

B. Parking System Facilities Fund 102

Parking System Facilities Fund 102 includes the budget for off-street parking enterprises, including garages. Fund 102 is currently 10.0% expended year to date. The Division of Parking Facilities within the Department of Community and Economic Development continues to experience an increase in rent expenses due to the rise in employee parking at the Seventh Street Garage and the Hennegan Lot. The division is responsible for covering the difference between what City employees pay and the contracted monthly rate. This need is expected to be offset with savings in contractual services.

C. Duke Energy Convention Center Fund 103

Duke Energy Convention Center Fund 103 is 29.0% expended year to date. Contractual service expenses are trending slightly high due to increased Convention Center operating costs for the first quarter. However, the Finance Department projects no savings or need at this time.

D. General Aviation Fund 104

General Aviation Fund 104 is 14.4% expended year to date. The Department of Transportation and Engineering may have personnel and fringe benefits savings in Fund 104 due to position vacancies, which will be monitored. Possible non-personnel savings will also be monitored.

E. Municipal Golf Fund 105

Municipal Golf Fund 105 is 33.6% expended year to date, which reflects expenses for the calendar year (CY) 2022 golf season and meets expectations. The Cincinnati Recreation Commission projects no budget savings or need.

F. Stormwater Management Fund 107

Stormwater Management Fund 107 provides resources to various City departments. The major recipient of resources from this fund is the Stormwater Management Utility (SMU). The Department of Public Services, the Parks Department, and the Department of Buildings and Inspections also receive appropriations from this fund. The Stormwater Management Fund is 10.2%

expended year to date. SMU, the Parks Department, and the Department of Buildings and Inspections project no budget savings or need at this time. The Department of Public Services projects potential savings in personnel due to position vacancies.

III. DEBT SERVICE FUNDS

Debt Service Funds account for the accumulation of resources for, and the payment of, principal and interest on the City's bonds issued in support of governmental activities.

A. Bond Retirement Fund 151

Bond Retirement Fund 151 is 5.8% expended year to date. The Finance Department projects no budget savings or need for FY 2023.

IV. APPROPRIATED SPECIAL REVENUE FUNDS

Special Revenue Funds account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are legally restricted to expenditures for specific purposes.

The Office of Budget and Evaluation, in cooperation with various City departments, reviewed appropriated special revenue funds to ensure the Approved FY 2023 Budget Update remains in balance. Based on expenditures and revenues through September 30, 2022, most special revenue funds are on target with regards to their budget and require no additional appropriations at this time. Any identified issues are highlighted in the narrative summaries provided below. If warranted, budget adjustments will be addressed in the FAO later in the fiscal year.

A. Street Construction, Maintenance & Repair Fund 301

Street Construction, Maintenance & Repair Fund 301 is 16.6% expended year to date. The Department of Transportation and Engineering projects no budget savings or need in FY 2023. The Department of Public Services anticipates personnel and fringe benefit savings in Fund 301; however, these savings are anticipated to be partially offset by increased winter emergency operations expenses due to the inclement weather conditions over the next few months.

B. Income Tax-Infrastructure Fund 302

Income Tax-Infrastructure Fund 302 provides resources to several City departments. The Department of Transportation and Engineering is the largest recipient of resources from this fund. The Department of Public Services also receives Income Tax-Infrastructure Fund resources. Fund 302 is 16.5% expended

year to date. The Department of Transportation and Engineering projects potential personnel savings due to position vacancies, which is offset by a potential non-personnel need related to fuel expenses. The Department of Public Services projects a possible personnel need related to overtime.

C. Parking Meter Fund 303

Parking Meter Fund 303 includes the budget for on-street parking enterprises, including parking meters. Fund 303 is currently 21.6% expended year to date. The Division of Parking Facilities within the Department of Community and Economic Development projects neither a savings nor a need in the fund.

D. Municipal Motor Vehicle License Tax Fund 306

Municipal Motor Vehicle License Tax Fund 306 is 13.3% expended year to date. The Department of Transportation and Engineering projects potential personnel savings, which will be monitored. The Department of Public Services currently projects no budget savings or need at this time. However, depending on weather conditions over the next few months, a potential need could arise related to winter emergency operation expenses.

E. Sawyer Point Fund 318

Sawyer Point Fund 318 is 7.1% expended year to date. The Parks Department projects no budget savings or need in Fund 318.

F. Recreation Special Activities Fund 323

Fund 323 is currently 19.6% expended year to date. The Cincinnati Recreation Commission projects no budget savings or need in Fund 323.

G. Cincinnati Riverfront Park Fund 329

Cincinnati Riverfront Park Fund 329 is the appropriated fund for Smale Park. Fund 329 is currently 2.4% expended year to date. The Parks Department projects no budget savings or need in Fund 329.

H. Hazard Abatement Fund 347

Hazard Abatement Fund 347 is 3.0% expended year to date. The Department of Buildings and Inspections projects no budget savings or need at this time.

I. 9-1-1 Cell Phone Fees Fund 364

9-1-1 Cell Phone Fees Fund 364 is the appropriated fund that governs the City portion of state collected revenue from mobile device fees. Fund 364 is currently 3.1% expended year to date. The Emergency Communications Center projects no budget savings or need in Fund 364.

J. Safe and Clean Fund 377

Safe and Clean Fund 377 is the appropriated fund that collects revenue associated with billboard leases. These resources are allocated to Keep Cincinnati Beautiful (KCB) expenditures. This fund is currently 0.7% expended year to date. The Department of Public Services projects no budget savings or need.

K. Community Health Center Activities Fund 395

Community Health Center Activities Fund 395 is 16.7% expended year to date. The Cincinnati Health Department (CHD) projects potential personnel savings resulting from position vacancies.

L. Cincinnati Health District Fund 416

General operational support to the Cincinnati Health Department is provided by Cincinnati Health District Fund 416. This fund is 19.0% expended year to date. The Cincinnati Health Department (CHD) projects a non-personnel need, primarily in contractual services related to the search for the next Health Commissioner, building repair costs, and temporary personnel services. Additionally, the department projects a personnel need in the Technical Resources Division and the Community Health Services Division. These needs can be fully offset by personnel savings in the Office of the Commissioner and the Primary Health Care Centers Division. Transfers may be required as a part of the Final Adjustment Ordinance.

M. Cincinnati Area Geographic Information System (CAGIS) Fund 449

Cincinnati Area Geographic Information System Fund 449 is 14.6% expended year to date. Enterprise Technology Solutions projects no budget savings or need at this time.

N. Streetcar Operations Fund 455

Streetcar Operations Fund 455 is 17.8% expended year to date. The Department of Transportation and Engineering projects a total non-personnel need of \$504,000, primarily due to police special details and SORTA expenses. These needs may be covered by anticipated Ohio Department of Transportation (ODOT) Grant resources. These needs will be monitored closely.

O. County Law Enforcement Applied Regionally (CLEAR) Fund 457

The CLEAR Fund is 11.1% expended year to date. Enterprise Technology Solutions projects no budget savings or need for FY 2023.

Summary

Through September 30, 2022, major budget issues include overtime needs for both the Police Department and Fire Department, revenue decline in Community Health Center Activities Fund 395 and Parking Meter Fund 303, unbudgeted wage items

resulting from collective bargaining agreements, and lasting impacts from the COVID-19 pandemic related to supply chain issues and the costs of various goods and services. Departments have identified possible savings and shortfalls, which will continue to be monitored and updated monthly.

Submitted herewith are the following Office of Budget & Evaluation reports:

1. Fund Summary Report for the month ended September 30, 2022.

Submitted herewith are the following Department of Finance reports:

2. Comparative Statement of Revenue (Actuals, Forecast and Prior Year) as of September 30, 2022.
3. Audit of the City Treasurer's Report for the month ended August 31, 2022.
4. Statement of Balances in the various funds as of September 30, 2022.

By approval of this report, City Council appropriates the revenues received in the various restricted funds on the attached Statement of Balances and as stated in greater detail on the records maintained by the Department of Finance, Division of Accounts & Audits. Such revenues are to be expended in accordance with the purposes for which the funds were established.

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