



# 2025 Tentative Tax Budget Overview

December 11, 2023

# Context and Recommendation

- A Tentative Tax Budget (TTB) is required under Ohio State law to be passed by January 15<sup>th</sup> and submitted to the County Auditor by January 20<sup>th</sup>.
- The approved TTB is the basis for establishing the CY 2025 property tax rate—providing resources for the City’s FY2025 budget and FY2026 budget.
- This is the only opportunity City Council has to set a property tax millage rate for CY 2025, but while the TTB meets the state’s requirements, it does not set the FY 2025 Operating Budget.
- The Administration is recommending that that CY 2025 property tax millage rates be maintained at the same amount as CY 2024 and as approved by voters and stated in the charter:

Operating Millage = **6.10 mills**

Debt Millage = **7.50 mills**

# 2024 TTB Positive Outcomes

- Through the passage of the CY 2024 TTB last January, the Mayor and City Council eliminated the “rollback” of the operating millage, a policy that had capped City operating revenue growth from property taxes for 24 years.
- The operating millage for CY 2024 was set at 6.1 mills, which generated approximately \$4 million in additional tax revenue for the FY 2024 General Fund budget.
- The elimination of the “rollback” allows the City to collect additional revenue as property values increase.
- S&P noted the significance of this action in their recent AA bond rating stating, “The city and region have seen significant new development in recent years, and the county projects a 25% increase in the city's assessed value for 2024”.

# FY2025 Budget Update

- Based on actual collections in FY2023 and FY2024 and updated data on economic trends, the University of Cincinnati Economics Center (UC) is projecting an increase above previous projections of \$10.5 million in FY 2025 for City income tax General Fund revenues.
- UC will update the forecast again in March 2024 and those updated amounts will be used as part of the FY 2025 Budget Update process.

# 2025 TTB Analysis

- In accordance with state law, the Hamilton County Auditor's Office revalued all properties located in Hamilton County in 2023.
- The Auditor's tentative new values indicate that the City's residential values increased 32% and commercial values increased 16% for an overall potential increase of 25%. The new values are in the process of being approved by the State of Ohio.
- Based on the updated income tax projections and Hamilton County Auditor's current assessed values, the TTB projections for the City's FY 2025 Budget are:

Projected FY 2025 GF Revenue	\$511,926.695
Projected FY 2025 GF Expenditures	<u>\$538,315,208</u>
Projected Deficit	(\$ 26,388,513)
Projected FY 2025 Deficit w/ ARP*	(\$ 1,188,513)

*\*Assumes \$25.2 million of ARP dollars are utilized.*

# 2025 TTB Analysis

- The City's FY 2025 deficit will be reduced if value increases are approved by the state.
- Below are several scenarios depicting the effect of an increase in property values on the deficit:

	Current Values	5% Prop. Tax Value Increase	15% Prop. Tax Value Increase	25% Prop. Tax Value Increase
Projected FY 2025 GF Revenue	\$ 511,926,695	\$ 512,823,018	\$ 514,645,665	\$ 516,408,312
Less Projected FY 2025 GF Expenditures	\$ 538,315,208	\$ 538,315,208	\$ 538,315,208	\$ 538,315,208
<b>Project FY 2025 Deficit</b>	<b>\$ (26,388,513)</b>	<b>\$ (25,492,190)</b>	<b>\$ (23,669,543)</b>	<b>\$ (21,906,896)</b>
Plus ARP Revenue	\$ 25,200,000	\$ 25,200,000	\$ 25,200,000	\$ 25,200,000
<b>Projected FY 2025 Deficit w/ ARP</b>	<b>\$ (1,188,513)</b>	<b>\$ (292,190)</b>	<b>\$ 1,530,457</b>	<b>\$ 3,293,104</b>

# FY 2025 Budget Update Process

- Expenditures have outpaced revenues due to increased labor costs, increased non-personnel costs, and increased expenditure trends in FY 2024 that will continue through FY 2025.
- As mentioned above, the Administration will be working with UC economics center on an updated income tax projection for the FY 2025 Budget Update, which will account for additional data and trends.
- The Administration will work to identify expenditure savings and revenue enhancements and propose a balanced FY 2025 Budget Update prior to July 1, 2024.
- The remaining \$25.2 million in one-time American Rescue Plan (ARP) funds will be included as a revenue source to balance the budget.

# FY 2025 Budget Update Process

- The IAFF and FOP contracts expire in FY 2024 and the CODE contract expires during FY 2025. An estimated wage increase is included for these contracts as well as non-represented employees. A 3.0% wage increase is included for the Building Trades, Teamsters, and AFSCME members during FY 2025 in accordance with their existing contracts.
- The Administration is reviewing various City fees and will include any recommended fee increases with the FY 2025 budget.
- Given the availability of the remaining \$25.2 million in ARP funds, General Fund Departments will not likely be faced with an across-the-board budget reduction.



# FY 2026 Budget

- The CY 2025 TTB will also provide resources for the City's FY 2026 budget.
- Given the planned depletion of ARP resources, the City will still face a sizeable operating budget deficit in FY 2026.
- Maintaining the recommended millage rates is critical to supporting City operations in FY 2026 and future fiscal years by reducing reliance on income tax revenues.

# Important TTB Dates and Deadlines

December 11, 2023

Public Hearing

December 13, 2023

Approval of the TTB Resolution

January 15, 2024

Submission to the County Auditor

Questions?