

January 10, 2022

202103223

To: Mayor and Members of City Council

From: Paula Boggs Muething, City Manager

Subject: EMERGENCY RESOLUTION–Adopting the Annual Tentative Tax Budget for 2023-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 2023 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 2023 Budget which runs from July 1, 2022, to June 30, 2023. The FY 2023 Recommended Budget will be structurally balanced and submitted for approval to the City Council prior to June 30, 2022.

The CY 2023 Tentative Tax Budget contains the information on all required funds, including the General Fund. As required by law, a public hearing is scheduled for January 10, 2022, 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, 2022, per the Ohio Revised Code.

The CY 2023 Tentative Tax Budget – Version A sets the operating millage at 6.1mills, which is a 2.13 mill increase above the CY 2022 operating millage of 3.97 mills. This increase equates to a \$65 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 2023.

Version A generates approximately \$3.8 million more in property tax revenue in FY 2023 and reduces the projected deficit to \$16.0 million excluding the use of prior year fund balance as compared to Version A. The deficit is a result of the reduction in overall revenue due to the COVID-19 pandemic, the loss of income tax revenue due to the shift of remote work, and the growth in expenditures outpacing the revenue growth. Projected increases to expenditures

for FY 2023 include a 5% cost-of-living-adjustment (COLA) for AFSCME employees, a 3% COLA for sworn employees and an estimated COLA for CODE, Building Trades, Teamsters, and non-represented employees. The projected deficit also includes known cost increases expected in FY 2023 for items such as increases to employee health care, a Fire Recruit Class, ethics and good government staffing and various non-personnel contractual increases.

Version A utilizes \$66 million of one-time American Rescue Plan dollars, but still requires a 3.4% across the board reduction for all departments or a 11.3% reduction if public safety departments are exempt from cuts to close the deficit. The Administration is working to identify solutions to close the operating deficit and will ultimately recommend a structurally balanced budget for FY 2023. The permanent reduction in income tax revenue due to remote work, has made it increasingly difficult to balance the budget without one-time revenue sources.

The CY 2023 Tentative Tax Budget is being transmitted with two versions for consideration as follows:

	Version A	Version B
CY 2022 Operating Mills	3.97	3.97
Proposed CY 2023 Operating Mills	6.10	4.96
Projected FY 2023 GF Budget Deficit	\$ (15,983,943)	\$ (19,748,604)
Projected FY 2023 GF Budget Deficit w/o ARP Dollars	\$ (81,983,943)	\$ (85,748,604)
Proposed CY 2023 Debt Mills	7.50	7.50

The Administration recommends approval of the attached Version A, CY 2023 Tentative Tax Budget and Emergency Resolution.

- c: William “Billy” Weber, Assistant City Manager
- Karen Alder, Finance Director
- Andrew Dudas, Budget Director

Attachments