

December 6, 2023

To: Mayor and Members of City Council

202302780

From: Sheryl M. M. Long, City Manager

Subject: Finance and Budget Monitoring Report for the Period Ending September 30, 2023

The purpose of this report is to provide the City Council with the status of the City's Fiscal Year (FY) 2024 financial and operating budget conditions as of September 30, 2023, 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, 2023.

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 \$12.6 million through the end of September. However, this report highlights increased potential expenditure needs in the amount of \$3.6 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 #121 is expected to reduce overtime usage starting in late fall 2023. If overtime trends do not curtail, the CFD projects a need of up to \$3.4 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 Oktoberfest Zinzinnati and Cincinnati Bengals home football games. Due to the seasonality of these events, overtime is expected to reduce in the second half of the fiscal year.
3. The Approved FY 2024 Budget includes a 2.0% wage increase for sworn International Association of Fire Fighters (IAFF) employees and sworn Fraternal Order of Police (FOP) employees. The collective bargaining agreement with IAFF expires in December 2023 and negotiations will begin

shortly. Negotiations with the FOP are expected to begin closer to their contract's expiration date in May 2024. Any agreements that exceed budgeted wage increase amounts, or any agreements that provide additional wage item increases, may result in a budget deficit. If necessary, supplemental appropriations may be required.

4. The Parking Meter Fund continues to face a structural imbalance with expenditures budgeted to exceed revenues. The Department of Community and Economic Development (DCED) and the Law Department are currently exploring other revenue streams, which may improve the fund's outlook. DCED is also reviewing the non-personnel budget for potential expenditure savings. The fund will be monitored closely to ensure a positive fund balance is maintained.
5. The lasting impacts of the COVID-19 pandemic continue to impact supply chains. While fleet acquisition has improved over the last year, it still has not returned to pre-pandemic levels due to the shortage of vehicle parts and semiconductor chips. Fleet repairs continue to be difficult and more expensive in certain cases. Compounded with the delays in acquisition, Fleet Services may experience increased repair costs as older vehicles will remain in service for a longer than anticipated period. These issues will be monitored closely for budgetary and operational impacts.

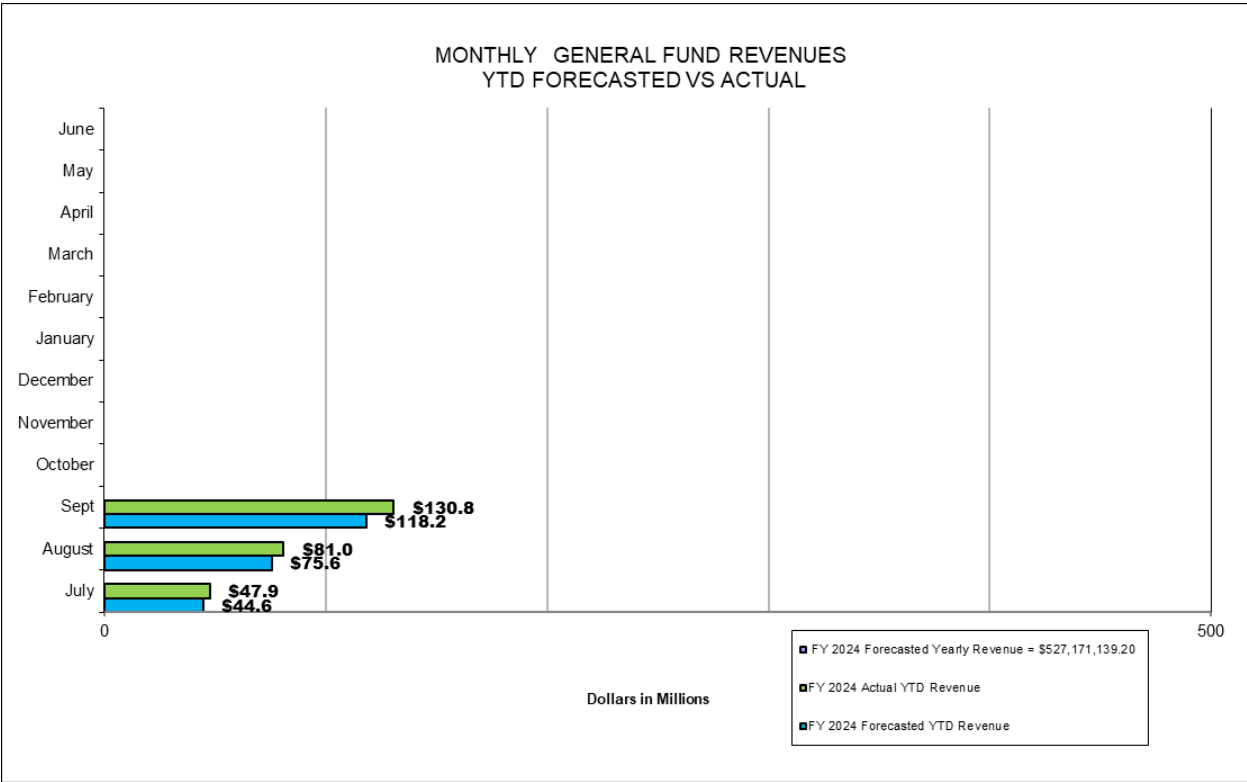
REVENUE

The following report provides an update on the City of Cincinnati's financial condition as of the month ending September 30, 2023. This report represents the third report for the new 2024 fiscal year, ending June 30, 2024. Variances are based on current year estimates and prior year activity in attached schedules.

A more detailed explanation of revenues and expenditures is attached for review, including reports comparing current year's actual revenue versus forecasted revenue and prior year's actual revenue versus current year actual revenue. Both of those 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 through September 30, 2023, and shows that actual revenue of \$130.8 million was above forecasted revenue of \$118.2 million by \$12.6 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	25,241	
City Income Tax	10,339,438	
Admissions Tax	1,662,218	
Short Term Rental Excise Tax	182,479	
Licenses & Permits		(\$382,005)
Fines, Forfeitures, & Penalties		(\$844,509)
Investment Income	1,651,390	
Local Government	250,363	
Casino	175,821	
Police	300,651	
Buildings and Inspections		(\$33,372)
Fire	341,791	
Parking Meter	150	
Other		(\$1,105,143)
	14,929,543	(\$2,365,029)
Difference	12,564,513	

General Fund (favorable variance) is \$12.6 million above the amount forecasted through September in the FY 2024 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. **Income Tax (favorable variance) is \$10.3 million above** the forecasted amount. Income Tax revenue was not projected to increase in FY 2024; however, in the first quarter there has been a slight increase in withholdings and some higher than projected net profits for companies. Finance will continue to closely monitor this category.
2. **Admission Tax (favorable variance) is up \$1.7 million** from the forecasted amount. Revenue from summer concerts and larger attendance for baseball games contributed to the positive variance in this category.
3. **Fines, Forfeitures and Penalties (unfavorable variance) is down \$845k** from the forecasted amount. Each of these revenue sources are trailing estimates. As it is early in the fiscal year, Finance will keep watch on this category.
4. **Investment Income (favorable variance) is \$1.7 million above** the forecasted amount. A stronger than expected economy has resulted in higher

interest rates than originally estimated.

5. **Other (unfavorable variance) is down \$1.1 million** from the forecasted amount. Due to the large number of revenue sources in this category and their fluctuations, the Finance Department will monitor these closely.

II. RESTRICTED FUNDS

- A. **Parking System Facilities (favorable variance) is up \$503k** from the forecasted amount. This is attributed to the parking for a large weekend concert that was held in the summer.

EXPENDITURES

The following provides an update on the City of Cincinnati's operating budget position as of the month ending September 30, 2023. 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 21.5% of budget, and commitments are 25.7% of budget in the General Fund 050 as compared to the estimated period ending September 30, 2023, or 25.0% of the fiscal year. "Non-personnel expenses" are trending higher at 34.2% 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 2024 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 2024.

A. Budget Savings Identified

As of September 30, 2023, no General Fund 050 departments are projecting savings at the end of FY 2024. 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 department is forecasting a budget need in FY 2024. 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 this department in the coming months and work with them to mitigate the need for supplemental appropriations. As appropriate, any remaining budget needs will be addressed within the FAO.

1. Cincinnati Fire Department (\$3.6 million)

The Cincinnati Fire Department (CFD) projects a total need of up to \$3.6 million primarily due to overtime. Increased attrition over the past several years has necessitated the use of overtime to backfill vacant positions. Additionally, the department added a new engine company to Westwood Station 35 in November 2022, resulting in additional staffing requirements and associated overtime. CFD recently changed the unit dispatch process to include apparatus GPS relative to the emergency location. This has led to an increase in daily runs performed by the Westwood engine company and the Price Hill engine company. The department plans to run the additional engine until the number of runs performed daily reverts to the mean. The graduation of Recruit Class #121 is expected to reduce overtime usage once they graduate in the fall of 2023. If overtime trends do not curtail, the CFD projects a need of up to \$3.4 million by fiscal year end due to increased overtime. Finally, the department projects a non-personnel need of \$0.2 million related to an expanded paramedic training class as well as unbudgeted material and supply expenses. 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 2024.

1. Clerk of Council

The Clerk of Council's Office projects a potential non-personnel need. Three charter amendments were on the November general election ballot, and the amendments were advertised in *The Enquirer* newspaper for a cost of \$25,000. The budget will be monitored, and any needs will be addressed in the Final Adjustment Ordinance (FAO) 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.
- 4. 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.
- 5. City Manager's Office: Emergency Communications Center**
The Emergency Communications Center (ECC) projects no budget savings or need at this time.
- 6. City Manager's Office: Office of Environment and Sustainability**
The Office of Environment and Sustainability projects no budget savings or need at this time. However, the recycling budget typically faces shortfalls. This will be monitored closely.
- 7. City Manager's Office: Office of Procurement**
The Office of Procurement projects no budget savings or need at this time, pending reimbursement processing.
- 8. City Manager's Office: Office of Performance and Data Analytics**
The Office of Performance and Data Analytics (OPDA) projects potential personnel savings, which will be monitored. No savings or needs are anticipated in the non-personnel budget.
- 9. City Manager's Office: Internal Audit**
Internal Audit projects a possible personnel savings, which will be monitored.
- 10. Department of Law**
The Department of Law projects a possible personnel need related to an accounting correction to capture certain transactions as revenue rather than credits to expense. Any personnel needs are expected to be offset with greater than estimated revenue.
- 11. Department of Human Resources**
The Department of Human Resources projects no budget savings or need, pending reimbursement processing.

12. Department of Finance

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

13. Department of Community and Economic Development

The Department of Community and Economic Development (DCED) projects a non-personnel need of \$60,000 due to annual operating expenses for the former Saks Fifth Avenue building. Additionally, there is a potential personnel need of up to \$400,000 in the Director's Office and Administration Division related to available Community Development Block Grant reimbursements. These needs may be offset by personnel savings in the Housing Division and the Economic Development Division. Transfers between agencies may be required as part of the Final Adjustment Ordinance.

14. Department of City Planning and Engagement

The Department of City Planning and Engagement projects a potential personnel savings due to a vacant position. This will offset a need in non-personnel related to increased engagement activities.

15. Citizen Complaint Authority

The Citizen Complaint Authority (CCA) projects no budget savings or need at this time.

16. Cincinnati Recreation Commission

The Cincinnati Recreation Commission projects no budget savings or need at this time. However, the Aquatics Pay and Recruitment Bonus Plan was in place for the summer 2023 season and is expected to generate a General Fund need of up to \$1.5 million in the Athletics Agency. However, this need is expected to be offset by savings in other agencies. If savings do not materialize, a supplemental appropriation may be required. 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, pending reimbursement processing.

18. Department of Buildings and Inspections

The Department of Buildings and Inspections projects no budget savings or need at this time. Personnel is currently trending below expectations due to position vacancies. However, the department is in the process of onboarding a new class of inspectors as well as other administrative staff, which should bring personnel spending more in line with expectations. In addition, the department's Private Lot Abatement Program (PLAP) is seeing an abundance of litter and dumping

cases. Additional resources may be required; however, the department is currently exploring community partnerships for assistance with this work.

19. Cincinnati Police Department

The Cincinnati Police Department (CPD) does not currently project any savings or need. There are increased expenses related to lump sum payments and overtime that will be closely monitored as the fiscal year continues to better identify the shortfall.

20. Department of Transportation and Engineering

The Department of Transportation and Engineering projects a potential personnel savings, which will be used to offset projected contractual services needs in the Traffic Engineering Division.

21. Department of Public Services

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

22. Department of Economic Inclusion

The Department of Economic Inclusion projects a potential personnel savings due to position vacancies.

23. Non-Departmental Accounts

The Judgments Against the City account is currently 99.3% committed. Depending on future judgments or settlements, additional resources may be required.

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 16.0% expended year to date. The Greater Cincinnati Water Works (GCWW) projects no budget savings or need at this time. However, transfers between agencies may be required as part of the Final Adjustment Ordinance.

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 8.8% expended year to date. The Division of Parking Facilities within the Department of Community and Economic Development projects no budget savings or needs at this time.

C. Duke Energy Convention Center Fund 103

Duke Energy Convention Center Fund 103 is 14.2% expended year to date. The Finance Department projects no savings or need at this time.

D. General Aviation Fund 104

General Aviation Fund 104 is 13.0% 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.

E. Municipal Golf Fund 105

Municipal Golf Fund 105 is 31.6% expended year to date, which reflects expenses for the calendar year (CY) 2023 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, the Office of Environment and Sustainability, the Cincinnati Recreation Commission, and the Department of Buildings and Inspections also receive appropriations from this fund. The Stormwater Management Fund is 14.1% expended year to date. SMU, the Parks Department, the Cincinnati Recreation Commission, and the Department of Buildings and Inspections project no budget savings or need at this time. The Department of Public Services projects a potential personnel need. The Office of Environment and Sustainability projects a potential non-personnel need related to recycling. These needs will be monitored closely.

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 8.7% expended year to date. The Finance Department projects a potential savings in fixed charges related to bond coupons that have not yet been redeemed. The Finance Department also projects a

potential savings in debt service due to a lower volume of internal notes issued than in prior years.

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 2024 Budget remains in balance. Based on expenditures and revenues through September 30, 2023, 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 17.8% expended year to date. The Department of Public Services anticipates a potential need related to a winter weather operations incentive pay program, that may be offset by other personnel savings. The Department of Transportation and Engineering projects possible non-personnel savings in the Traffic Engineering Division, which will be used to offset non-personnel needs in the General Fund.

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 17.8% expended year to date. Due to the projected deficit for this Fund during the FY 2024-2025 Biennial Budget development process, resources for the Department of Law, the Department of Transportation and Engineering (DOTE), and the Department of Public Services (DPS) were significantly reduced. DOTE projects a need of \$835,000 primarily due to budgeted position vacancy allowance (PVA). A supplemental appropriation will likely be required for the department to continue operations. DPS anticipates a personnel need as the department does not expect to be able to meet their budgeted PVA amount. The Department of Law receives a small amount of Income Tax-Infrastructure Fund resources for eligible infrastructure work. Law projects a potential personnel need due to budgeted position vacancy allowance that may not be achievable. However, the Income Tax-Infrastructure Fund performed better than expected by the end of FY 2023, and existing fund balance is available to provide additional resources to these

departments. The Department of Buildings and Inspections projects no budget savings or need at this time.

C. Parking Meter Fund 303

Parking Meter Fund 303 includes the budget for on-street parking enterprises, including parking meters. Fund 303 is currently 18.0% 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. However, given the health of this fund, revenues and expenditures will continue to be monitored closely. Budget adjustments may be required to ensure the fund balance remains positive.

D. Municipal Motor Vehicle License Tax Fund 306

Municipal Motor Vehicle License Tax Fund 306 is 14.2% expended year to date. The Department of Public Services anticipates no budget savings or need in this fund. The Department of Transportation and Engineering projects no budget savings or needs, pending reimbursement processing.

E. Sawyer Point Fund 318

Sawyer Point Fund 318 is 11.7% expended year to date. The Parks Department projects no budget savings or need in Fund 318.

F. Recreation Special Activities Fund 323

Recreation Special Activities Fund 323 is currently 19.7% 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 2.5% 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 0.1% 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 3.4% 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. The fund is currently 0.0% expended year to date. The Department of Public Services anticipates neither a savings nor a need in this fund.

K. Community Health Center Activities Fund 395

Community Health Center Activities Fund 395 is 17.1% expended year to date. The Cincinnati Health Department (CHD) projects potential personnel savings resulting from position vacancies. This will offset a projected need in non-personnel for temporary staffing services, nursing uniform allowances, and the unbudgeted repair and replacement of equipment.

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 19.1% expended year to date. The Cincinnati Health Department (CHD) projects potential personnel savings resulting from position vacancies. This will offset a projected need in non-personnel for temporary staffing services, nursing uniform allowances, and unbudgeted repair expenses to clinic sites and other Health Department facilities.

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

Cincinnati Area Geographic Information System Fund 449 is 19.8% expended year to date. The Office of Performance and Data Analytics projects no budget savings or need at this time.

N. Streetcar Operations Fund 455

Streetcar Operations Fund 455 is 4.6% expended year to date. The Department of Transportation and Engineering projects a total need of \$187,000 related to unbudgeted personnel reimbursements and contractual services for utilities and Transdev. These needs will be monitored closely.

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

The CLEAR Fund is 9.4% expended year to date. Enterprise Technology Solutions projects no budget savings or need for FY 2024.

Summary

Through September 30, 2023, major budget issues include overtime needs for both the Fire Department and Police Department, pending labor contracts for the International Association of Fire Fighters (IAFF) employees and Fraternal Order of Police (FOP) employees, the structural imbalance in Parking Meter Fund 303, and lasting impacts from the COVID-19 pandemic related to supply chain issues.

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, 2023.

Submitted herewith are the following Department of Finance reports:

2. Comparative Statement of Revenue (Actual, Forecast and Prior Year) as of September 30, 2023.
3. Audit of the City Treasurer's Report for the month ended August 31, 2023.
4. Statement of Balances in the various funds as of September 30, 2023.

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