

January 6, 2021

To: Mayor and Members of City Council

202100025

From: Paula Boggs Muething, City Manager *CB & PBM*

Subject: EMERGENCY RESOLUTION—Adopting the Annual Tentative Tax Budget for 2022-Version C

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 was held January 4, 2021 at 1:00 p.m. 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 includes estimated property tax revenue for CY 2022, based on the CY 2021 property valuations provided by the Hamilton County Auditor. Once the Tentative Tax Budget is passed, the County will utilize the actual property valuations to generate property taxes. Therefore, this is the only opportunity for City Council to set the property tax revenue estimate for CY 2022.

The CY 2022 Tentative Tax Budget – Version C incorporates the current City Council policy of establishing fixed operating property tax revenue of \$28.988 million, which results in a millage rate estimated at 4.00 mills. The CY 2021 operating millage is 5.02 mills. The debt service millage is estimated to remain at 7.5 mills for CY 2022. As a result of the increase in property values, the debt service amount in the TTB has been increased to fund additional

capital needs.

Version C projects revenue of \$427.2 million and expenditures of \$452.8 million and results in a FY 2022 projected operating deficit of \$25.6 million excluding the use of prior year fund balance. 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 5.67% across the board reduction for all departments or a 17.67% 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 attached Version C, which reflects the new CY 2021 property tax values, sets the operating tax millage at approximately 4.00 mills to collect \$28.988 million and maintains the debt millage at 7.50 mills, is submitted for approval.

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

Attachments