


December 6, 2023

To: Mayor and Members of City Council

From: Sheryl M.M. Long, City Manager 

202302760

Subject: EMERGENCY RESOLUTION—Adopting the Annual Tentative Tax Budget for Calendar Year 2025

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 2025 and submitting the same to the County Auditor.

Summary

The purpose of the tentative tax budget is to set the City's property tax millage rates for CY 2025, which will provide resources to the City's FY 2025 and FY 2026 budgets. As described below, the attached CY 2025 Tentative Tax Budget and Emergency Resolution maintains the property tax millage levels at the same levels as approved for CY2024—for both operating millage and debt millage.

State Law Requirements

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 is needed to meet the state's technical requirements but does not set the final FY 2025 Budget which runs from July 1, 2024, to June 30, 2025. The Recommended FY 2025 Budget Update will be balanced and submitted for approval to the City Council prior to June 30, 2024.

The CY 2025 Tentative Tax Budget (TTB) contains information on all required funds, including the General Fund. As required by law, a public hearing will be held on

December 11, 2023, at 1:00 PM in the Budget and Finance Committee. City Council must approve this TTB no later than January 15, 2024, per the Ohio Revised Code.

CY 2025 Operating Mills

The attached CY 2025 TTB sets the operating millage at 6.1 mills, which is the same rate which was approved for CY 2024. The recommended CY 2025 operating millage rate of 6.1 will generate \$39.0 million in property tax revenue in FY 2025. The 6.1 rate is also consistent with the stated rate in the City's Charter as approved by the voters.

CY 2025 Debt Millage

The debt service millage, which provides resources to cover debt service of City debt, is estimated to remain the same at 7.5 mills for CY 2024. The proceeds of debt supported by these resources fund capital expenditures—such as infrastructure spending and fleet.

Projected Operating Budget Deficits—FY 2025 and Beyond

As shown in the CY 2025 TTB, the projected FY 2025 General Fund deficit is \$26.4 million excluding the use of American Rescue Plan Act resources as revenue replacement. The deficit is a result of growth in expenditures outpacing revenue growth. Projected increases to expenditures for FY 2025 include a 3% wage increase for AFSCME, Building Trades, Teamsters, and non-represented employees and an estimated 2% wage increase for CODE employees and sworn employees. The projected deficit also includes known cost increases expected in FY 2025 for items such as increases to employee health care, increases in the employer pension contribution to the Cincinnati Retirement System (CRS), as well as various non-personnel contractual increases.

The Administration plans to utilize one-time American Rescue Plan (ARP) resources in the amount of \$25.2 million to close the majority of the deficit. Without the availability of the ARP resources, a 4.9% across the board reduction for all departments, or a 14.7% reduction if public safety departments are exempt, would be required. After utilizing ARP resources, a deficit of \$1.2 million will remain which would require a 0.2% across the board reduction for all departments.

Beginning in FY 2026, there will be no more ARP resources remaining, and the Administration is projecting an estimated \$34.9 million operating budget deficit for FY 2026. The property tax resources raised by the 6.1 mills included in the attached CY 2025 TTB are important components of diversifying the City's operating revenues, to reduce reliance on income tax. The City Administration is underway developing multiple additional strategies to both increase revenues and reduce expenditures, in order to be prepared for FY 2026 when all ARP resources have been depleted.

Recommendation

In order to generate sufficient resources for FY 2025 and FY2026, the Administration recommends approval of the CY 2025 Tentative Tax Budget and Emergency Resolution.

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

Attachment