

January 10, 2022

To: Mayor and Members of City Council

202103224

From: Paula Boggs Muething, City Manager 

Subject: EMERGENCY RESOLUTION—Adopting the Annual Tentative Tax Budget for
2023-Version B

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 will be held 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 includes estimated property tax revenue for CY 2023, based on the CY 2022 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 2023.

The CY 2023 Tentative Tax Budget – Version B 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 4.96 mills. The debt service millage is estimated to remain at 7.5 mills for CY 2023.

Version B projects revenue of \$466.4 million and expenditures of \$486.2 million and results in a FY 2023 projected operating deficit of \$19.7 million excluding the use of prior year fund balance. 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 B utilizes \$66 million of one-time American Rescue Plan dollars, but still requires a 4.2% across the board reduction for all departments or a 14.4% 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 attached Version B, which reflects the new CY 2022 property tax values, sets the operating tax millage at approximately 4.96 mills to collect \$28.988 million and maintains the debt millage at 7.50 mills, is submitted for approval.

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

Attachments