

**CITY OF COLUMBUS
GENERAL FUND
THREE-YEAR FINANCIAL PLAN
2017-2018-2019**

INTRODUCTION

This three-year financial plan, issued by the City of Columbus, Department of Finance and Management, is for calendar years 2017, 2018 and 2019.

The purpose of a three-year financial plan is to enable the city to expand the focus of its fiscal decision-making from the one-year horizon provided by the annual budget process to a multi-year horizon. This will allow for more extensive deliberations of the impact of policy options the city may consider. While technically less detailed and complicated than the annual budget, a financial plan provides the basis for identifying and quantifying the implications of budget decisions and the economic realities faced by the city.

Utilization of a multi-year financial planning process is an important component in continuing to maintain the city's economic health. The plan aids the Finance and Management Department in preparing for the Mayor's next budget proposal (2018 Budget), and also provides a sense of the economic outlook for one additional year beyond the budget year.

CONTEXT

In the fall of 2001, former Mayor Michael B. Coleman appointed an Economic Advisory Committee to identify, research, and recommend to the Mayor and City Council, financial options and available resources for long range financial planning. On October 15, 2001, the Committee issued the first of two reports. One of numerous "best practices" contained in the first report included a recommendation to develop a three-year financial plan.

The Finance Director subsequently appointed a Financial Plan Working Group to develop an effective financial planning process and framework. The Working Group issued its final report and recommendations in August, 2002. The city's first three-year plan was completed for calendar years 2003-2004-2005. This is the city's fifteenth three-year plan.

TARGET BUDGETING

The Finance and Management Department uses a budget methodology in which each city department funded with general fund dollars is provided a target amount for the budget year. That amount represents the department's proportionate share of projected revenues for the budget year, based upon its share of the prior year's distribution of general fund appropriations, with certain adjustments.

This plan will help form the basis for the target budgets and instructions given to each city department to use in developing their budget proposals for the next year (2018).

THE PLAN OUTLINE

The three-year financial plan includes the City Council adopted budget for 2017 as well as projections for 2018 and 2019. Only the city's general fund is included in the plan. Actual 2016 data is also provided as a point of reference.

The plan includes five tables:

Table 1	General Fund – Plan Summary
Table 2	General Fund – Current Revenues
Table 3	General Fund – Current Expenditures
Table 4	General Fund – Proposals to Eliminate the Gap
Table 5	General Fund – Assumptions

It is most instructive to discuss each table of the plan in the following order: Tables 5, 2, 3, 4 and finally 1.

TABLE 5 – ASSUMPTIONS

Table 5 details the assumptions upon which current revenue and expenditure estimates contained in the plan are based.

Where applicable, assumptions contained within the 10-year general fund pro forma produced for the 2017 annual budget are carried forward into this financial plan. However, in some instances, pro forma assumptions have been modified since several months have passed since the 2017 budget document and pro forma were developed.

Assistance was received from departments that received general fund moneys in 2017 in estimating the effect of the expenditures of the recently adopted 2017 budget on the 2018 and 2019 projections herein.

Expenditure assumptions outlined on Table 5 include the timing and number of police and fire recruit classes as well as the projected numbers of police and fire separations.

Transfers to the economic stabilization fund (ESF) are also included in the 2018 and 2019 projections, reflecting the city's goal of building the ESF to \$80 million by the end of 2020. Deposits totaling \$2.2 million are projected in both years.

To replenish the anticipated expenditure fund for the next occurrence of a 27th pay period, transfers from the general fund of \$2.46 million and \$2.53 million are projected in 2018 and 2019, respectively.

TABLE 2 – REVENUES

Table 2 includes actual revenues for 2016, and estimates developed by the Finance and Management Department for 2017, 2018, and 2019.

At this time, the 2017 Finance and Management Department revenue estimate is the same as the City Auditor's. Finance and Management's 2017 estimate serves as the basis for the 2018 and 2019 revenue projections. These projections total \$861.2 million in 2018 and \$888.1 million in 2019.

Revenue assumptions are provided on Table 5. The city's top revenue generating sources are described in more detail below.

Income Tax – The city's primary source of revenue is the income tax – it comprises approximately 78 percent of total revenues to the general fund. In August, 2009, voters approved a half percent increase in the city's income tax rate, taking it from 2.0 percent to 2.5 percent. The increase went into effect on October 1, 2009. Finance and Management's current income tax estimate for 2017 is \$651.3 million. A growth rate of 3.5 percent is used for the income tax in both 2018 and 2019 for purposes of this plan.

Property Tax – The property tax is the second largest revenue source to the general fund. Approximately 5.2 percent of general fund revenues come from the property tax. The City Auditor currently estimates a 2.11 percent increase in real and other property tax receipts in 2017. Increases of 2.0% are assumed in 2018 and 2019.

Local Government Funds – Local government funds comprise approximately 2.7 percent of general fund revenues. Local government funds are projected to increase by 13.11% in 2017 and grow by 2.0% in both 2018 and 2019.

Casino Tax – In 2009, a constitutional amendment was passed in Ohio, allowing for casinos in four Ohio cities. In 2012, as casinos opened in the State of Ohio, the state began collecting taxes on casino revenues. The city's share of revenue for 2017 is estimated at \$6.7 million. These revenues are assumed to grow by 3.0 percent in both 2018 and 2019, totaling \$6.9 million and \$7.1 million, respectively.

Total Revenues – Details on the city's other revenue sources are outlined in Table 5. Total revenues are projected to increase by 3.16 percent in 2018 and 3.13 percent in 2019.

TABLE 3 – EXPENDITURES

Table 3 outlines expenditures broken down by personnel and non-personnel categories. Significant expenditure assumptions include:

- Police
 - 2 police classes in 2018; 30 recruits in June and December.

- 2 police classes in 2019; 30 recruits in June and December.
 - Assumes 60 uniformed retirements in both years.
- Fire
 - 2 fire classes in 2018; 30 recruits in June and December.
 - 2 fire classes in 2019; 30 recruits in June and December.
 - Assumes 50 uniformed retirements in 2018 and 60 retirements in 2019.
- Personnel (i.e., salary and wage) increases are projected at rates consistent with current bargaining agreements or salary ordinances.
- Health insurance costs are assumed to increase by 10 percent in 2018 and 2019.
- Citywide pension costs include the employee and the employer's share. Until recently, the city paid 100 percent of the employee's share of the Ohio Public Employees Retirement System (OPERS) costs. Beginning in 2010, however, one percent per year was shifted to the employee for members of CWA, FOP-OLC, and MCP, followed by AFSCME in 2011. The financial plan anticipates further increases in the employees' contribution for the duration of the plan. Additionally, all new MCP, CWA, FOP-OLC, and AFSCME employees are now responsible for 100 percent of their own contribution to OPERS. For employees of the Police and Fire Pension Fund, the FOP's pick-up is projected to decrease to zero by 2018. The IAFF pick-up was reduced to zero in October 2014. The employee share of pension costs projected for this report reflects the rate in effect for each employee group at a given point in time. This is to be distinguished from the current employer share, which will continue to be paid by the city.
- Inflationary increases of 2 percent were assumed for most goods and services.
- In 2017, \$2.15 million in social services contracts was funded out of the emergency human services fund. The balance was picked up by the general fund. Projections for 2018 and 2019 assume the emergency human services fund will continue to fund some portion of social service contracts.
- In 2016, no dollars were budgeted in the general fund to purchase replacement vehicles. Again in 2017, no such funds were budgeted; rather vehicle replacement moneys were budgeted in the special income tax fund (SIT). It is assumed for purposes of this report that this trend will continue into 2018 and 2019 and as such, no projections are included herein for this purpose.
- Transfers out of the general fund into the economic stabilization fund will total \$2.7 million in 2017 and \$2.2 million in 2018 and 2019. Similarly, transfers from the general fund to the anticipated expenditure (or 27th pay period) fund will total \$2.39 million in 2017, \$2.46 million in 2018 and \$2.53 million in 2019.

- **Safety** – The Department of Public Safety receives the largest share of the general fund budget. The following table provides a breakdown of safety related expenditures and compares them to the total general fund for all departments:

Department of Public Safety
(in millions of \$)

	Actual 2016	Budget 2017	Estimate 2018	Estimate 2019
Personnel	\$ 516.66	\$ 529.64	\$ 564.16	\$ 585.66
Citywide Transfers ¹	1.92	1.98	2.04	2.10
Other Capital (Fleet Only)	-	-	-	-
All other Non-Personnel	<u>38.32</u>	<u>47.23</u>	<u>42.08</u>	<u>42.90</u>
Grand Total Safety Department	<u>\$ 556.90</u>	<u>\$ 578.85</u>	<u>\$ 608.28</u>	<u>\$ 630.66</u>
Grand Total All Departments	<u>\$ 817.90</u>	<u>\$ 872.71</u>	<u>\$ 906.57</u>	<u>\$ 936.37</u>
Safety % of Total	68.09%	66.33%	67.10%	67.35%

⁽¹⁾ In 2016, safety comprised 83% of total general fund personnel costs. It is therefore assumed that 83% of the deposit to the anticipated expenditure fund will be used for safety personnel costs.

TABLE 4 – PROPOSALS TO ELIMINATE THE GAP

Table 4 outlines the proposals to eliminate the gaps between current revenues and projected expenditures. In 2018 and 2019, it is notable that the gap includes “new needs” identified by departments as part of their financial plan submission. Options to reduce the gap include encumbrance cancellations, use of the prior year’s unencumbered general fund balance, projected revenue above that set by the City Auditor, spending below existing appropriation and basic city services fund or other fund transfers.

Specific substantive and policy-impacting proposals to eliminate the gap are part of the ongoing budget and general fiscal discussions of the city. The financial plan itself does not present detail of the varied proposals and options for achieving balance. Such proposals will be a separate, ongoing activity of the current budget year and the budget planning processes for 2018 and eventually 2019.

TABLE 1 – PLAN SUMMARY

Table 1 captures data from Tables 2-4 (Current Revenues, Current Expenditures, and Proposals to Eliminate the Gap) in order to provide a summarized overview of the projected financial situation faced by the city through year 2019.

The gap between current revenues and current expenditures can be seen in this table. The 2017 gap is eliminated by the large carryover from 2016. The 2018 and 2019 gaps will be eliminated through increased revenues, reduced expenditures or some combination thereof.

THE FINANCIAL PLAN IN SUMMARY

Once beginning balances and/or one-time transfers are taken into consideration, the city’s three-year financial plan shows that in order to balance the upcoming 2018 budget, \$36.7 million in some combination of additional revenues and/or expenditure reductions will be necessary. Likewise, to balance in 2019, \$40.8 million in adjustments are needed. Funding for “new-needs” totaling \$3.7 million and \$4.0 million are included in 2018 and 2019, respectively.

**CITY OF COLUMBUS
2017-2018-2019 FINANCIAL PLAN**

CITY OF COLUMBUS

May 2017

**TABLE 1
GENERAL FUND - PLAN SUMMARY
THREE-YEAR FINANCIAL PLAN
2017-2018-2019
(in millions of \$)**

	Year #	1	2	3
	Actual 2016	Budget 2017	Estimate 2018	Estimate 2019
TOTAL CURRENT REVENUE	\$ 806.52	\$ 834.79	\$ 861.15	\$ 888.10
CURRENT EXPENDITURES				
Personnel	623.61	692.69	734.66	762.80
Materials, Services, Transfers and All Other	189.78	174.93	163.55	164.84
Deposits (includes repayments to ESF and deposits to anticipated exp. fund)	4.52	5.09	4.66	4.73
TOTAL CURRENT EXPENDITURES	817.90	872.71	902.87	932.37
GAP (DIFFERENCE REVENUE/EXPENDITURES)	(11.39)	(37.92)	(41.72)	(44.27)
New Needs	-	-	3.70	4.00
Miscellaneous	-	-	-	-
GAP TO BE CLOSED	(11.39)	(37.92)	(45.42)	(48.27)
PROPOSALS TO ELIMINATE THE GAP				
Encumbrance Cancellations	4.98	3.00	3.00	3.00
Unencumbered Balance	30.72	30.21	0.79	-
Other Transfers	5.89	5.50	4.96	4.50
Additional Revenue/Expenditure Changes Needed to Balance	-	-	36.67	40.77
TOTAL PROPOSALS TO ELIMINATE THE GAP	41.59	38.71	45.42	48.27
REMAINING GAP TO BE CLOSED (-) / BALANCE (+)	\$ 30.21	\$ 0.79	\$ -	\$ -

**CITY OF COLUMBUS
2017-2018-2019 FINANCIAL PLAN**

CITY OF COLUMBUS

May 2017

**TABLE 2
GENERAL FUND - CURRENT REVENUES
THREE-YEAR FINANCIAL PLAN
2017-2018-2019
(in millions of \$)**

Year #	1	1	2	3	
Actual 2016	Estimate 2017	Estimate 2017	Estimate 2018	Estimate 2019	
Revenue Estimate Source:	Actual	Auditor Est	Finance & Mgmt.	Finance & Mgmt.	Finance & Mgmt.
CURRENT REVENUE					
Income Tax	\$ 629.94	\$ 651.30	\$ 651.30	\$ 674.10	\$ 697.69
Property Tax	42.75	43.65	43.65	44.87	45.79
Casino Tax	6.79	6.66	6.66	6.86	7.07
KWH Tax	3.13	3.30	3.30	3.30	3.30
Hotel/Motel Tax	-	-	-	-	-
Total Taxes and Assessments	682.61	704.91	704.91	729.13	753.85
Local Government Fund	20.09	22.72	22.72	23.17	23.64
Estate Tax	0.06	-	-	-	-
Liquor Permit Fund, Cigarette Tax, Other	1.31	1.23	1.23	1.25	1.27
Total Shared Revenues	21.46	23.95	23.95	24.42	24.90
License and Permit Fees	12.46	12.19	12.19	12.43	12.68
Fines and Penalties	18.93	18.91	18.91	19.10	19.29
Investment Earnings	7.12	9.00	9.00	9.00	9.00
Charges for Services	61.86	63.98	63.98	65.26	66.57
All Other Revenue	2.08	1.85	1.85	1.81	1.81
Total Other Revenue	102.45	105.93	105.93	107.60	109.35
TOTAL CURRENT REVENUE	\$ 806.52	\$ 834.79	\$ 834.79	\$ 861.15	\$ 888.10

CITY OF COLUMBUS

May 2017

**TABLE 3
GENERAL FUND - CURRENT EXPENDITURES
THREE-YEAR FINANCIAL PLAN
2017-2018-2019
(in millions of \$)**

	Year #	1	2	3
	Actual 2016	Budget 2017	Estimate 2018	Estimate 2019
CURRENT EXPENDITURES				
<u>Personnel:</u>				
Salaries	\$ 424.18	\$ 469.11	\$ 490.16	\$ 502.35
Insurance	99.91	120.24	135.75	149.90
Benefits	99.51	103.34	110.61	112.55
Total Personnel	\$ 623.60	\$ 692.69	\$ 736.52	\$ 764.80
<u>Non-Personnel:</u>				
Technology	18.00	18.76	19.32	19.90
Fleet Maintenance	21.69	28.05	26.82	27.33
Other Capital	0.05	0.01	0.01	0.01
Materials & Supplies	9.91	12.22	12.47	12.72
Services	60.73	78.70	80.16	81.77
Other	17.38	0.62	0.64	0.65
Transfers ¹	62.02	36.57	25.98	24.46
Total Non-Personnel	\$ 189.78	\$ 174.93	\$ 165.40	\$ 166.84
<u>Deposits:</u>				
Economic Stabilization Fund	2.20	2.70	2.20	2.20
Anticipated Expenditure Fund	2.32	2.39	2.46	2.53
Total Deposits	4.52	5.09	4.66	4.73
TOTAL CURRENT EXPENDITURES	\$ 817.90	\$ 872.71	\$ 906.58	\$ 936.37

⁽¹⁾ Transfers primarily reflect items budgeted in the citywide account that are later expensed elsewhere (e.g., legal settlements). Economic stabilization fund and anticipated expenditure fund deposits are shown separately. General fund subsidies to Health and Recreation and Parks, normally appearing as general fund transfers, have been allocated to the other categories on a proportional basis for those two departments (except for 2016 actuals).

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May 2017

**TABLE 4
GENERAL FUND - PROPOSALS TO ELIMINATE THE GAP
THREE-YEAR FINANCIAL PLAN
2017-2018-2019
(in millions of \$)**

	Year #	1	2	3
	Actual 2016	Budget 2017	Estimate 2018	Estimate 2019
PROPOSALS TO ELIMINATE THE GAP				
Encumbrance Cancellations	\$ 4.98	\$ 3.00	\$ 3.00	\$ 3.00
Unencumbered Balance	30.72	30.21	0.79	-
Additional revenue or Expenditure Changes Needed to Balance	-	-	36.67	40.77
Transfers from Economic Stabilization Fund	-	-	-	-
Transfer from Basic City Services Fund	1.83	-	-	-
Other Transfers	4.06	5.50	4.96	4.50
Expenditure Reductions to Balance Original Budget	-	-	-	-
TOTAL PROPOSALS TO ELIMINATE THE GAP	\$ 41.59	\$ 38.71	\$ 45.42	\$ 48.27

**CITY OF COLUMBUS
2017-2018-2019 FINANCIAL PLAN**

CITY OF COLUMBUS

May 2017

**TABLE 5
GENERAL FUND - ASSUMPTIONS
THREE-YEAR FINANCIAL PLAN
2017-2018-2019**

<u>REVENUES</u>		<u>2018</u>	<u>2019</u>
1	Income Tax Expert Judgment	3.50%	3.50%
2	Property Tax Expert Judgment	2.00%	2.00%
3	KWH Tax Pro Forma Growth Rate	0.00%	0.00%
4	Hotel/Motel Tax Eliminated Deposit to GF in 2014	0.00%	0.00%
5	Casino Tax Pro Forma Growth Rate	3.00%	3.00%
6	Local Govt. Fund Pro Forma Growth Rate	2.00%	2.00%
7	Estate Tax Eliminated in 2013	0.00%	0.00%
8	Liquor, Cigarette, Other 2007 - 2016 Average Actual Growth Rate, 10 Years	1.37%	1.37%
9	License and Permit Fees Pro Forma Growth Rate	2.00%	2.00%
10	Cable Fees Pro Forma Growth Rate	2.00%	2.00%
11	Fines and Penalties Expert Judgment	1.00%	1.00%
12	Investment Earnings Expert Judgment	0.00%	0.00%
13	EMS Expert Judgment	2.00%	2.00%
14	Pro Rata Expert Judgment	2.00%	2.00%
15	Other Charges for Service Expert Judgment	2.00%	2.00%
16	All Other Revenue Average	\$1,813,936	\$1,813,936

EXPENDITURES

- 1 **Inflationary increases** totaling 2% per year for 2018 and 2019 for most basic goods and services are assumed.
- 2 **Vacancy credits** are assumed in many divisions' projections, the amounts of which vary depending upon the size of the division and the rate of employee turnover.
- 3 The **recycling contract** is assumed to be funded in part by the SCMR fund in 2017, 2018 and 2019.
- 4 Monies are included in 2017, 2018 and 2019 for operating the City's **DAX** financial accounting system.
- 5 **Citywide memberships** increase by 2% each year.
- 6 The **Public Defender** contract increases by 2% each year.
- 7 **Safety recruit classes, separations, other**
Police:
 2 recruit classes are projected in 2018 - class of 30 recruits in June and 30 in December.
 2 recruit classes are projected in 2019 - class of 30 recruits in June and 30 in December.
 60 separations are projected in 2018.
 60 separations are projected in 2019.
 Sworn overtime costs are projected to total \$7.9 mil. in 2018 and \$8.14 mil. in 2019.

CITY OF COLUMBUS

May 2017

TABLE 5 (continued)
GENERAL FUND - ASSUMPTIONS
THREE-YEAR FINANCIAL PLAN
2017-2018-2019

EXPENDITURES (continued)

- 8 Fire:**
2 recruit classes are projected in 2018 - class of 30 recruits in June and 30 in December.
2 recruit classes are projected in 2019 - class of 30 recruits in June and 30 in December.
50 separations are projected in 2018.
60 separations are projected in 2019.
Sworn overtime costs are projected to total \$7.9 mil. in 2018 and \$8.14 mil. in 2019.
- 9 Police and Fire termination pay** for sworn personnel is paid out of the general fund in 2018 and 2019.
Projected revenue for **E-911** funds are \$1.399 mil. in 2018 and \$1.399 mil. in 2019.
- 10 Social Service Contracts** are funded by both the general and emergency human services (EHS) funds in 2017, with \$2.85 mil. in general fund and \$2.15 mil. in EHS funds. An inflation factor of 2% is applied for 2018 and 2019.
- 11** Additional funds are projected to fund **economic development incentive agreements** in 2018 and 2019.
- 12 Technology** costs for 2018 and 2019 are increased by 3%.
- 13 Fleet** costs for 2018 and 2019 are based on that division's financial plan submission for each customer.
- 14 Legal Settlement** costs of \$2.1 mil. in 2017 and \$1.0 million in 2018 and 2019 are assumed.
- 15 Anticipated expenditure fund** deposits total \$2.4 mil. in 2017, \$2.5 mil. in 2018 and \$2.5 mil. in 2019.
- 16 Health insurance** costs are inflated by 10% in both 2018 and 2019.
- 17** A **workers' compensation** rate of 1.0% was used in 2017, and 2.0% in 2018 and 2019.
- 18 Economic stabilization fund** deposits will total \$2.7 mil. In 2017, and \$2.2 mil. in 2018 and 2019.

PROPOSALS TO ELIMINATE THE GAP

- 1** Make full use of encumbrance cancellations and prior year carryover.
- 2** Reduce expenditures, eliminate or postpone some "new needs" pending identification of additional resources.
- 3** Identify additional revenues.