

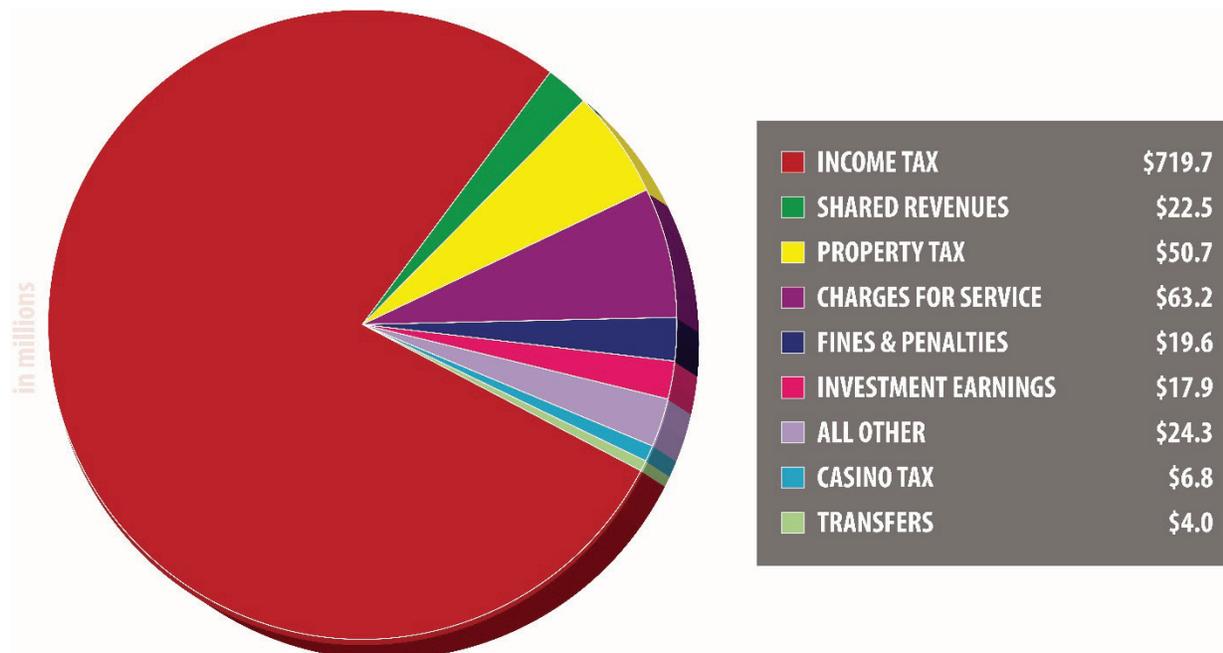


## Revenue

The financial health of the city’s general fund is directly tied to the income tax which comprises over 78 percent of the revenue (including encumbrance cancellations) supporting the general fund operating budget. In August 2009, Columbus voters approved a 0.5 percent increase to the income tax rate, raising it to 2.5 percent effective October 1, 2009. Therefore, 2010 was the first full year of collections at the 2.5 percent rate. Three quarters of income tax collections are deposited into the general fund for general government operations, with the balance being set aside for capital and debt service requirements.

The chart below illustrates the projected amount of revenue expected from each major general fund source in 2020. After the income tax, the next two largest revenue sources to the general fund are various charges for services at seven percent and property taxes at six percent.

### 2020 Projected General Fund Revenue by Source (in millions)



## Financial Overview

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Income tax collections are projected at \$698.8 million in 2019 and \$719.7 million in 2020. The City Auditor's 2020 estimate assumes a 3.0 percent growth in income tax receipts over the 2019 revised estimate, or an additional \$21.0 million.

Over the past decade, budget reductions at the state level have led to incremental reductions of shared revenues to local governments. In 2001, the City of Columbus received \$51 million in local government funds. The 2019 projection for these funds is \$21.0 million, and in 2020 this revenue source is projected to grow to \$22.5 million. Additionally, the state eliminated the estate tax effective January 1, 2013, and no further receipts will be received.

Property tax receipts fluctuate from year to year, due to reappraisals that occur every three years. In the off years, property tax revenue growth can vary significantly while solid growth is normally expected in the reappraisal years. The city experienced a 10.3 percent increase in assessed valuation during the sexennial reappraisal in 2006, but in 2009, the triennial update year, the county applied a zero growth rate to all residential property values. While 2012 was another reappraisal year, property tax collections actually declined by 7.92 percent due to the ongoing housing decline. Property taxes rebounded in 2015 and increased by 0.82 percent over the prior year. In 2018, the benefits of the reappraisal were realized as property taxes grew to \$49.2 million. For 2019, the Auditor is estimating \$50.4 million in receipts. Modest growth will be realized in 2020 as property taxes are projected at \$50.7 million, a 0.6 percent increase over the 2019 projection.

Investment earnings are a highly volatile source of revenue and tend to reflect economic conditions. In 2001, the city posted \$29 million in investment earnings. By 2004, these earnings had dropped to just \$5.5 million. In recent years, investment earnings have still been down, but they were experiencing mild year over year growth. During 2018, the city hired an investment advisor. The benefits of the firm's advice as well as higher interest rates have resulted in substantial growth in investment earnings. In 2019 and 2020, earnings are projected at \$19.9 million and \$17.9 million, respectively.

## Bond Ratings

The city continues to retain the highest bond ratings available for long-term debt by all three major rating agencies: Moody's Investors Service, Standard and Poor's Corporation, and Fitch Ratings. Bond ratings of Aaa and AAA, respectively, were awarded to the city in 1995 by Moody's and Standard and Poor's, and have been maintained ever since. Fitch Ratings rated the city for the first time in 2006, also awarding Columbus an AAA rating. Columbus is one of the largest cities in the nation to maintain the highest possible credit rankings for both unlimited and limited general obligation debt from the three major rating agencies. These ratings afford Columbus the opportunity to realize savings in the cost of long-term financing, affirm investor's confidence in investment in Columbus, and help attract new businesses to the area.

## Reserve Funds

The City of Columbus currently has three general reserve funds: the economic stabilization fund (i.e., the rainy day fund), the anticipated expenditure fund (formerly known as the 27th pay period fund), and the basic city services fund.

The rainy day fund was created in 1988 with a deposit of \$4 million as a reserve for unforeseen events that could disrupt basic city services. With the ultimate goal of reaching a fund balance of 5 percent of general fund expenditures, annual deposits of \$1 million were made until 1998. In that year, the city received a \$7 million refund from the Ohio Bureau of Workers' Compensation and deposited it into this fund.

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The first withdrawal was in 2003, when \$10.2 million was used to balance the general fund budget. An additional \$25 million was used in 2004 for the same purpose. In May of 2004, an unanticipated \$55.1 million from the Solid Waste Authority of Central Ohio (SWACO), in partial satisfaction of lease payments due to the city, was deposited into the rainy day fund. Transfers to the general fund were again made in 2005 (\$13 million) and 2006 (\$12 million). In 2006, the city received nearly \$10 million for pollution credits from SWACO, which were also deposited into the fund. In 2008, \$900,000 was transferred to the general fund in order to end the year in balance. In 2009, \$30.04 million was transferred to the general fund to avoid what would have been drastic reductions to basic city services. Following passage of the 2009 income tax increase, the city made good on its promise to begin to replenish the fund, with a transfer of \$7.5 million from the general fund in 2010. Deposits of \$10 million in 2011 and \$6.7 million in 2012 helped the fund reach almost \$40 million by year-end 2012. With the 2013 payment of \$16.15 million, the city met its commitment to rebuild the fund to a \$50 million balance a year earlier than originally promised.

In 2013, the city established a goal of \$75 million in the rainy day fund to further ensure that the city is able to withstand future unknown financial events. After deposits of \$7.6 million in 2014, \$2.2 million in 2015 and 2016, \$3.7 million in 2017, and \$1.2 million in 2018, the fund had accumulated \$76.2 million and surpassed the 2018 goal of \$75 million. In 2017, the city set another goal to have a fund balance of \$80 million by the end of 2020. After depositing \$2.75 million during 2019, the city will have met its goal a year early with a balance of over \$80 million by the end of 2019.

The city has now set a new goal of a \$90 million fund balance by the end of 2024. A deposit of \$2.5 million will be made into the fund in 2020. The planned deposit schedule through 2020 is illustrated in the following chart.

<b>Economic Stabilization Fund Recommended Future Deposits</b>					
<b>(000's Omitted)</b>					
<b>Year</b>	<b>Deposit</b>	<b>Investment Earnings*</b>	<b>Expended</b>	<b>Year-End Balance</b>	<b>% of GF Budget</b>
2003	\$ -	\$ 608	\$ 10,243	\$ 18,371	3.49%
2004	59,406	791	25,000	53,568	10.15%
2005	-	1,169	13,000	41,737	7.49%
2006	9,964	2,111	12,000	41,812	7.02%
2007	348	2,320	-	44,480	7.04%
2008	-	-	900	43,580	6.68%
2009	720	739	30,039	15,000	2.43%
2010	7,500	224	-	22,724	3.31%
2011	10,000	173	-	32,897	4.72%
2012	6,725	183	-	39,805	5.47%
2013	16,147	193	-	56,145	7.44%
2014	7,600	330	-	64,075	8.21%
2015	2,200	466	-	66,741	8.37%
2016	2,200	581	-	69,522	8.50%
2017	3,700	724	-	73,946	8.58%
2018	1,200	1,034	-	76,180	8.60%
2019	2,750	1,641	-	80,571	8.59%
2020	2,500	1,500	-	84,571	8.76%

\* In 2008, investment earnings were deposited to the Anticipated Expenditures Fund.

## Financial Overview

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The anticipated expenditure fund was established in 1994 to prepare for those fiscal years in which there are 27 pay dates rather than the standard 26. After payment of \$17.8 million for the 27<sup>th</sup> pay date in 2008, this fund had a balance of \$1.23 million. Annual deposits are made into the fund to ensure that there are sufficient resources for the next occurrence, which will be in the year 2020. The fund is estimated to have a \$1.7 million balance after the payment in 2020.

<b>Anticipated Expenditure Fund Recommended Future Deposits (000's Omitted)</b>			
<b>Year</b>	<b>Deposit</b>	<b>Estimated Expense</b>	<b>Year-End Balance</b>
2011	2,052	-	6,814
2012	2,060	-	8,874
2013	2,122	-	10,996
2014	2,185	-	13,181
2015	2,251	-	15,432
2016	2,318	-	17,750
2017	2,388	-	20,138
2018	2,459	-	22,597
2019	2,533	-	25,130
2020	2,609	(26,000)	1,739

The next occurrence of a year with 27 pay dates will be 2020. Escalating deposits have been realized to meet an estimated expense of \$26 million in that year.

An additional reserve fund, the basic city services fund, was created in 2012 to ensure the city was poised to address the reduction of revenue caused by cuts to the local government fund and the elimination of the estate tax. Since its creation, this fund has helped to ensure the continuation of basic city services. In 2019, deposits into the basic city services fund totaled \$14.7 million. A one-time rebate from the Ohio Bureau of Workers' Compensation comprised the bulk of these deposits. In 2020, an additional deposit of \$5.6 million will be made into the fund bringing the total fund balance to \$20.4 million.

### 2020 Budget Scenario

The 2020 budget was balanced by employing certain key principles, as follows:

- Build a budget from the ground up which is aligned with the Mayor's strategic priorities and goals.
  - Focus on maintaining essential city services for neighborhoods - police and fire protection, refuse collection, and basic public health services.
  - Review all program areas to identify activities in which the city should no longer be engaged, given limited resources.
  - Review revenue sources to identify new revenues and/or opportunities for increased revenues.
  - Continue implementation of the 10-year reform plan by reducing pension pick-up and increasing the employee share of health insurance premiums for all city employees.
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- Continue other reforms and efficiency measures as recommended by the city and affirmed by the accountability committee.
- Promote efficiencies in government by examining opportunities to redeploy uniformed police and firefighters, expanding energy efficiencies, improving the efficiency of fleet and facilities management, expanding online auctions for city asset sales, and partnering with various organizations and governmental entities.
- Continue diligent review of general fund hires and non-personnel spending to keep expenditures at the lowest level necessary to provide essential services to the citizens of Columbus.
- Continue to make deposits into the “rainy day” fund to achieve a balance of \$90 million by the end of 2024.

## **General Fund Pro Forma**

A general fund pro forma operating statement is provided herein, which projects the city’s future general fund financial outlook. The pro forma bases year 2020 revenues on the City Auditor’s official Estimate of Available General Fund Resources, except as noted. The following assumptions were used in developing the pro forma.

## **Pro Forma Operating Statement Assumptions**

Like all financial forecasting tools, pro forma projections are based on a series of assumptions that invariably do not prove totally accurate over time. Moreover, projections become less certain the further one extends the forecasting horizon. This pro forma statement assumes that year-end deficits, which are not permissible per state law, will be corrected through expenditure adjustments in order to force a positive year-end fund balance. The document presented herein represents the Finance and Management Department’s best estimate of the city’s financial status into the future, given the following assumptions.

## **Expenditure Assumptions**

- The standard inflation rate for non-personnel items is two percent in 2021 and thereafter.
- Personnel costs (excluding insurance costs) for employees that are covered by current collective bargaining agreements are projected at the wage rates in effect per those contracts. For those units that have contracts that are currently under negotiation, and for the years that follow the expiration date of contracts currently in place, a rate that represents the city’s efforts to control pay increases is used.
- Insurance costs are projected to grow by five percent annually in 2021 and beyond.
- Except as otherwise noted, expenditure projections for 2021 and beyond are premised on maintaining 2020 levels of service.
- No general fund moneys are projected for the purchase of vehicles in 2021 and all years thereafter.

## **Revenue Assumptions**

- Income tax receipts will be \$719.7 million in 2020 and will grow by 3.0 percent in all years thereafter.
  - Property taxes will increase by 0.63 percent in 2020, and grow by 2.0 percent thereafter, except for every third year, during the triennial review, when they will increase by 4.0 percent.
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## Financial Overview

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- Local government fund revenue, or shared revenues, is projected to increase by 6.9 percent in 2020 and then increase by 2.0 percent thereafter.
- Investment earnings will be \$17.9 million in 2020 and are projected to remain flat in 2021 and thereafter.
- Charges for services are expected to increase by 2.0 percent in 2020 and then grow by 2.0 percent thereafter.
- The kilowatt hour tax will be \$3.4 million in 2020 and will grow by 0.5 percent in all years thereafter.
- Fines and penalties will increase by 3.0 percent in 2020 and grow by 3.0 percent thereafter.
- Licenses and permit fees will increase by 0.61 percent in 2020 and increase by 1.0 percent thereafter.
- Casino revenue will total \$6.8 million in 2020 and increase by 2.0 percent in all years thereafter.

## Division Specific Assumptions

- Two police recruit classes are funded in the general fund in 2020. Thereafter, recruit classes sufficient to replace retiring uniformed staff are projected.
- Two fire recruit classes are funded in 2020. Thereafter, recruit classes sufficient to replace retiring uniformed staff are projected.
- Projections for the Refuse Collection Division assume that a portion of the recycling program will continue to be funded through the street construction, maintenance, and repair fund.



**GENERAL FUND PRO FORMA OPERATING STATEMENT**

<b>Resources:</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Beginning Balance	\$ 16,170,687	\$ 36,267,000	-	-	-	-	-	-	-	-	-
Income Tax	698,777,000	719,742,000	741,334,000	763,574,000	786,481,000	810,075,000	834,377,000	859,408,000	885,190,000	911,746,000	939,098,000
Property Tax	50,395,000	50,712,000	52,740,000	53,795,000	54,871,000	57,066,000	58,207,000	59,371,000	61,746,000	62,981,000	64,241,000
Kilowatt Hour Tax	3,350,000	3,350,000	3,367,000	3,384,000	3,401,000	3,418,000	3,435,000	3,452,000	3,469,000	3,486,000	3,503,000
Shared Revenues	22,270,000	23,807,000	24,283,000	24,769,000	25,264,000	25,769,000	26,284,000	26,810,000	27,346,000	27,893,000	28,451,000
License and Permit Fees	12,356,000	12,431,000	12,555,000	12,681,000	12,808,000	12,936,000	13,065,000	13,196,000	13,328,000	13,461,000	13,596,000
Fines and Penalties	18,988,000	19,564,000	20,151,000	20,756,000	21,379,000	22,020,000	22,681,000	23,361,000	24,062,000	24,784,000	25,528,000
Investment Earnings	19,900,000	17,900,000	17,900,000	17,900,000	17,900,000	17,900,000	17,900,000	17,900,000	17,900,000	17,900,000	17,900,000
Charges for Service	61,984,000	63,234,000	64,499,000	65,789,000	67,105,000	68,447,000	69,816,000	71,212,000	72,636,000	74,089,000	75,571,000
All Other Revenue	14,515,000	11,169,000	11,169,000	11,169,000	11,169,000	11,169,000	11,169,000	11,169,000	11,169,000	11,169,000	11,169,000
Basic City Services - Transfer In	12,962,619	-	-	-	-	-	-	-	-	-	-
Casino Revenue	6,752,314	6,824,000	6,960,480	7,099,690	7,241,683	7,386,517	7,534,247	7,684,932	7,838,631	7,995,404	8,155,312
<b>Total Revenues</b>	<b>922,249,933</b>	<b>928,733,000</b>	<b>954,958,480</b>	<b>980,916,690</b>	<b>1,007,619,683</b>	<b>1,036,186,517</b>	<b>1,064,468,247</b>	<b>1,093,563,932</b>	<b>1,124,684,631</b>	<b>1,155,504,404</b>	<b>1,187,212,312</b>
<b>Total Available Resources</b>	<b>938,420,619</b>	<b>965,000,000</b>	<b>954,958,480</b>	<b>980,916,690</b>	<b>1,007,619,683</b>	<b>1,036,186,517</b>	<b>1,064,468,247</b>	<b>1,093,563,932</b>	<b>1,124,684,631</b>	<b>1,155,504,404</b>	<b>1,187,212,312</b>
% Change in Revenues from Prior Yr.	3.68%	0.70%	2.82%	2.72%	2.72%	2.84%	2.73%	2.73%	2.85%	2.74%	2.74%
% Change in Resources from Prior Yr.	3.44%	2.83%	(1.04%)	2.72%	2.72%	2.84%	2.73%	2.73%	2.85%	2.74%	2.74%
<b>Expenditures:</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Development	39,678,167	29,877,561	30,775,499	31,639,594	32,530,414	33,448,874	34,395,926	35,372,559	36,379,798	37,418,708	38,490,394
Fire	265,662,293	271,378,625	281,105,343	288,901,375	298,104,793	307,616,916	317,448,750	327,611,723	338,117,696	348,978,990	360,208,395
Governmental Services	105,384,399	142,638,102	156,022,697	159,885,273	164,158,971	168,253,386	172,766,361	177,107,760	181,875,707	186,480,358	191,520,139
Health	24,001,456	26,716,803	27,896,744	28,747,075	29,625,567	30,533,239	31,471,147	32,440,389	33,442,107	34,477,489	35,547,769
Judicial Services	32,037,011	32,983,310	34,541,949	35,689,017	36,877,118	38,107,835	39,382,819	40,703,785	42,072,524	43,490,900	44,960,853
Other Safety	15,081,672	16,049,350	16,556,803	16,989,248	17,434,146	17,891,898	18,362,920	18,847,643	19,346,515	19,859,997	20,388,570
Police	345,247,634	359,970,422	371,863,082	383,390,811	395,697,717	408,421,567	421,577,406	435,180,861	449,248,161	463,796,169	478,842,402
Recreation and Parks	39,623,114	43,030,613	44,843,934	46,183,452	47,566,632	48,995,034	50,470,278	51,994,046	53,568,088	55,194,222	56,874,336
Refuse Collection	31,013,237	33,506,626	35,336,279	36,334,605	37,364,643	38,427,531	39,524,448	40,656,626	41,825,341	43,031,924	44,277,759
Public Service	674,018	712,412	755,085	780,114	806,018	832,828	860,579	889,305	919,044	949,832	981,711
Fleet-Vehicles	-	-	-	-	-	-	-	-	-	-	-
<b>Operating Expenditures</b>	<b>898,403,000</b>	<b>956,863,824</b>	<b>999,697,413</b>	<b>1,028,540,563</b>	<b>1,060,166,019</b>	<b>1,092,529,108</b>	<b>1,126,260,634</b>	<b>1,160,804,698</b>	<b>1,196,794,982</b>	<b>1,233,678,588</b>	<b>1,272,092,327</b>
% Change/Previous Year	0.96%	6.51%	4.48%	2.89%	3.07%	3.05%	3.09%	3.07%	3.10%	3.08%	3.11%
Economic Stabilization Fund Deposit	2,750,000	2,500,000	-	-	-	-	-	-	-	-	-
Basic City Services Fund Deposit	1,000,000	5,636,176	-	-	-	-	-	-	-	-	-
<b>Required Expenditure Reductions and/or Revenue Increases</b>	<b>\$ 36,267,000</b>	<b>-</b>	<b>\$ (44,738,933)</b>	<b>\$ (47,623,874)</b>	<b>\$ (52,546,336)</b>	<b>\$ (56,342,591)</b>	<b>\$ (61,792,386)</b>	<b>\$ (67,240,765)</b>	<b>\$ (72,110,351)</b>	<b>\$ (78,174,185)</b>	<b>\$ (84,880,015)</b>

Footnotes:  
 Revenue estimates for 2021 and beyond are those of the Department of Finance & Management, and not the City Auditor.  
 Cumulative deficits are not possible since each budget year must be balanced. Balancing will be achieved through increased revenues, lowered expenditures, or a combination thereof.

**Financial Overview**

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