



*The intersection of the south west corner of West Broad and South High Streets sometime between 1911 and 1920.*

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## FINANCIAL OVERVIEW

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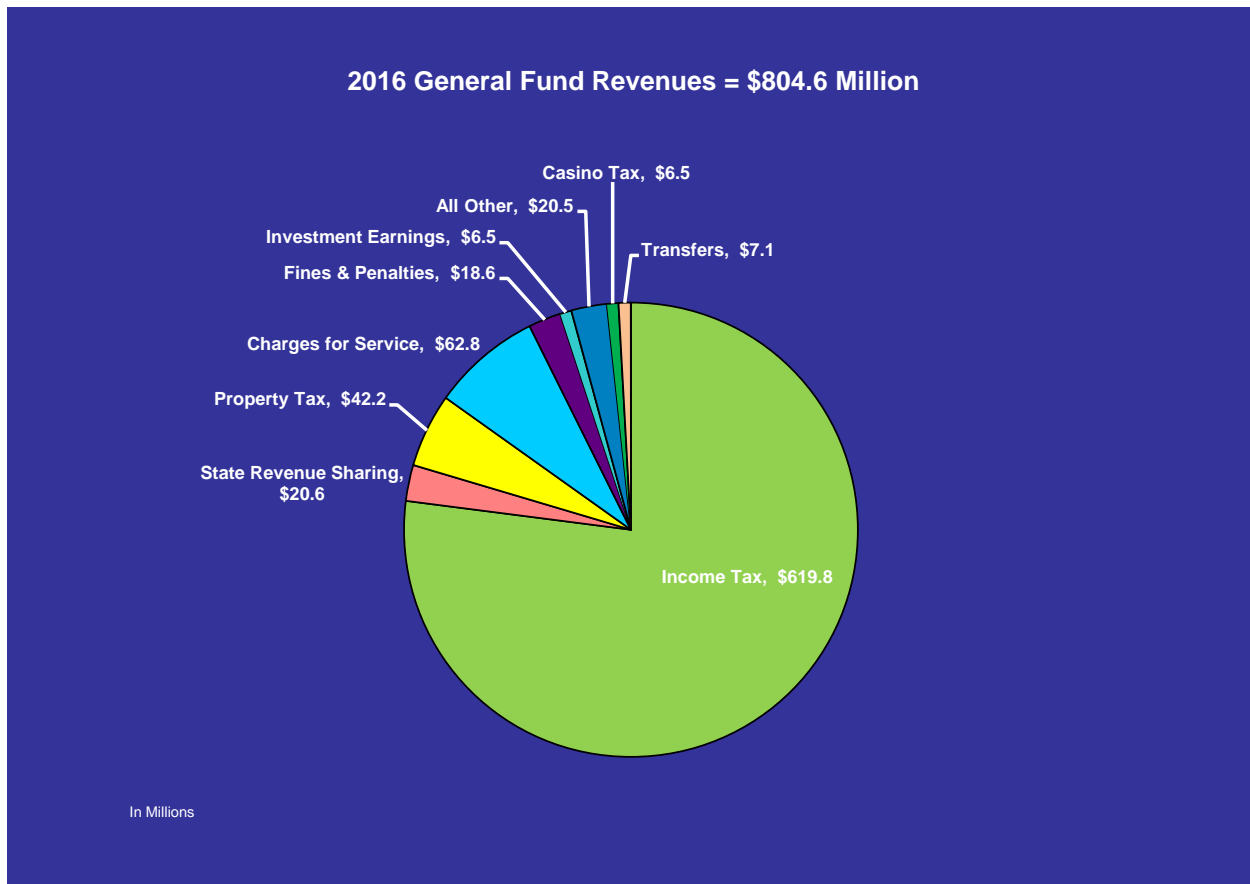
### Revenue

The financial health of the city's general fund is directly tied to the income tax which comprises over 77 percent of the revenue 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 2016. After the income tax, the next three largest revenue sources to the general

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fund are various charges for services at eight percent, property taxes at five percent and shared revenues (various state taxes that are shared with local governments) at three percent.



Income tax collections are projected at \$601.8 million in 2015 and \$619.8 million in 2016. The City Auditor's 2016 estimate assumes a three percent growth in income tax receipts in 2016, or an additional \$18.01 million.

Over the past decade, budget reductions at the state level have led to incremental reductions of shared revenues to local governments. Further reductions will be realized in 2016. In 2001, the City of Columbus received \$51 million in local government funds, while the 2015 projection for these funds is \$21.4 million, and in 2016 this revenue source is projected at \$20.6 million. Additionally, the state has 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 is typically less than one percent. 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. These declines are precipitated by ongoing challenges in the housing market, including foreclosures and reassessment requests stemming from declining sales prices. The City Auditor projects that 2015 property tax collections will be 1.11 percent higher than those of 2014. Due to stagnating and declining property values, property taxes will decline 0.88 percent in 2016 from the 2015 projection.

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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. In 2015, projected earnings are \$6.9 million, but decline again to \$6.5 million for 2016.

## **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 this year, the city received a \$7 million refund from the Ohio Bureau of Workers Compensation and deposited it into this fund.

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.

The city has established a new 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 \$2.2 million in 2016, the fund will have accumulated almost \$70 million of the 2018 goal of \$75 million.

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The planned replenishment schedule is illustrated in the following chart.

Economic Stabilization Fund Recommended Future Deposits (000's Omitted)					
Year	Deposit	Investment Earnings*	Expended	Year-End Balance	% of GF Budget
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	640	-	66,915	8.48%
2016	2,200	669	-	69,784	8.38%
2017	2,200	698	-	72,682	8.77%
2018	2,200	727	-	75,609	8.83%

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

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

Anticipated Expenditure Fund Recommended Future Deposits (000's Omitted)			
Year	Deposit	Expended	Year-End Balance
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	-	20,137
2018	2,459	-	22,596
2019	2,533	-	25,129
2020	2,609	-	27,738

Finance and Management projects the next occurrence of a year with 27 pay dates to be 2020. Escalating deposits are planned to meet a projected liability of almost \$28 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. Over the past three years, this fund has helped to ensure the continuation of basic city services. In 2016, \$1.83 million will be transferred to the general fund, leaving a balance of \$3.33 million.

## **2016 Budget Scenario**

The 2016 budget was balanced by employing certain key principles, as follows:

- Build a budget from the ground up which is keyed to the city's strategic plan and implements the Columbus Covenant.
- Focus on maintaining basic city services for neighborhoods - police and fire protection, refuse collection, and basic public health services.
- Review all program areas to identify activities the city should no longer be engaged in, 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.
- Continue 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 replenish the "rainy day" fund to achieve a balance of \$75 million by the end of 2018.

## **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 2016 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.

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## Expenditure Assumptions

- The standard inflation rate for non-personnel items is two percent in 2017 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 blended rate that represents the city's efforts to control pay increases and to reduce pension pick-up benefits over the next ten years is used.
- Insurance costs are projected to grow by seven percent annually in 2017 and beyond; however, projections include offsets due to incremental increases in employee shares.
- Except as otherwise noted, expenditure projections for 2017 and beyond are premised on maintaining 2016 levels of service.
- No general fund moneys are projected for the purchase of vehicles in 2016. Starting in 2017 and beyond, however, \$4 million is projected for the purchase of safety vehicles (primarily police cruisers) and for the scheduled replacement of the city's rolling fleet.

## Revenue Assumptions

- Income tax receipts will be \$619.8 million in 2016 and will grow by 3.5 percent in all years thereafter.
- Property taxes will decrease by 0.88 percent in 2016, and grow by 2.0 percent thereafter, except for every third year, during the triennial review, when they will increase by 4.0 percent.
- Local government fund revenue, or shared revenues, is projected to decrease by 3.5 percent in 2016 and then increase by 2.0 percent thereafter.
- Investment earnings will be \$6.5 million in 2016 and are projected to remain at that level in 2017 and thereafter.
- Charges for services are expected to decrease by 0.25 percent in 2016 and then grow by 3.0 percent thereafter.
- The kilowatt hour tax will be \$3.3 million in 2016 and will remain flat thereafter.
- Fines and penalties will increase by 0.03 percent in 2016 and increase by 2.0 percent thereafter.
- Licenses and permit fees are projected to decrease by 2.69 percent in 2016 and increase by 2.0 percent thereafter.
- Casino revenue will total \$6.5 million in 2016 and increase by 3.0 percent in all years thereafter.

## Division Specific Assumptions

- Two police recruit classes are funded in the general fund in 2016. Thereafter, recruit classes sufficient to replace retiring uniformed staff are projected.
  - One fire recruit class is funded in 2016. Thereafter, recruit classes sufficient to replace retiring uniformed staff are projected.
  - Projections for the Refuse Collection Division assume that all of the bulk collection program will continue to be funded through the general fund in 2016 and beyond.
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GENERAL FUND PRO FORMA OPERATING STATEMENT

Resources:	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Beginning Balance	29,171,431	30,215,000	-	-	-	-	-	-	-	-	-
Income Tax	601,790,000	619,800,000	641,493,000	663,945,000	687,183,000	711,234,000	736,127,000	761,891,000	788,557,000	816,156,000	844,721,000
Property Tax	42,619,018	42,245,000	43,090,000	44,814,000	45,710,000	46,624,000	48,489,000	49,459,000	50,448,000	52,466,000	53,515,000
Kilowatt Hour Tax	3,250,000	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000	3,300,000
Hotel/Motel Tax	-	-	-	-	-	-	-	-	-	-	-
Shared Revenues	22,614,000	21,823,000	22,259,000	22,704,000	23,158,000	23,621,000	24,093,000	24,575,000	25,067,000	25,568,000	26,079,000
License and Permit Fees	12,395,000	12,062,000	12,303,000	12,549,000	12,800,000	13,056,000	13,317,000	13,583,000	13,855,000	14,132,000	14,415,000
Fines and Penalties	18,631,125	18,636,000	19,009,000	19,389,000	19,777,000	20,173,000	20,576,000	20,988,000	21,408,000	21,836,000	22,273,000
Investment Earnings	6,900,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000
Charges for Service	62,935,000	62,778,000	64,661,000	66,601,000	68,599,000	70,657,000	72,777,000	74,960,000	77,209,000	79,525,000	81,911,000
All Other Revenue	14,097,426	9,081,000	9,081,000	9,081,000	9,081,000	9,081,000	9,081,000	9,081,000	9,081,000	9,081,000	9,081,000
Basic City Services - Transfer In	5,717,000	1,830,000	-	-	-	-	-	-	-	-	-
Casino Revenue	6,280,000	6,515,000	6,710,450	6,911,764	7,119,116	7,332,690	7,552,671	7,779,251	8,012,628	8,253,007	8,500,597
<b>Total Revenues</b>	<b>797,228,569</b>	<b>804,570,000</b>	<b>828,406,450</b>	<b>855,794,764</b>	<b>883,227,116</b>	<b>911,578,690</b>	<b>941,812,671</b>	<b>972,116,251</b>	<b>1,003,437,628</b>	<b>1,036,817,007</b>	<b>1,070,295,597</b>
Total Available Resources	826,400,000	834,785,000	828,406,450	855,794,764	883,227,116	911,578,690	941,812,671	972,116,251	1,003,437,628	1,036,817,007	1,070,295,597
% Change in Revenues from Prior Yr.	4.25%	0.92%	2.96%	3.31%	3.21%	3.21%	3.32%	3.22%	3.22%	3.33%	3.23%
% Change in Resources from Prior Yr	2.12%	1.01%	-0.76%	3.31%	3.21%	3.21%	3.32%	3.22%	3.22%	3.33%	3.23%
Expenditures:	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Development	37,487,244	25,528,212	26,392,754	27,154,168	27,943,599	28,762,405	29,612,024	30,493,980	31,409,887	32,361,458	33,350,507
Fire	226,874,534	231,974,387	239,996,509	248,342,921	257,029,394	266,072,598	275,490,159	285,300,724	295,524,017	306,180,919	317,293,532
Governmental Services	90,623,274	119,183,918	123,462,759	126,766,179	132,400,277	135,949,608	139,619,369	143,415,057	147,342,479	151,407,783	155,617,472
Health	20,614,038	23,564,205	24,816,803	25,613,532	26,442,692	27,305,962	28,205,122	29,142,064	30,118,792	31,137,438	32,200,263
Judicial Services	28,362,942	29,727,341	31,237,365	32,373,168	33,560,630	34,802,620	36,102,191	37,462,588	38,887,262	40,379,885	41,944,362
Other Safety	14,179,336	13,371,087	14,426,817	14,816,784	15,219,990	15,637,037	16,068,558	16,515,223	16,977,743	17,456,868	17,953,392
Police	300,317,872	311,754,687	323,181,605	334,564,945	346,421,443	358,774,801	371,650,108	385,073,924	399,074,373	413,681,251	428,926,125
Recreation and Parks	34,577,258	38,597,737	39,822,407	41,076,676	42,380,798	43,737,304	45,148,878	46,618,365	48,148,783	49,743,337	51,405,427
Refuse Collection	29,939,519	33,015,192	34,316,712	35,353,818	36,431,996	37,553,375	38,720,214	39,934,911	41,200,014	42,518,231	43,892,436
Public Service	5,848,798	5,868,234	6,081,287	6,307,716	6,544,617	6,792,575	7,052,215	7,324,201	7,609,238	7,908,078	8,221,520
Fleet-Vehicles	-	-	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
<b>Operating Expenditures</b>	<b>788,824,814</b>	<b>832,585,000</b>	<b>867,735,019</b>	<b>896,369,907</b>	<b>928,375,434</b>	<b>959,388,283</b>	<b>991,668,838</b>	<b>1,025,281,035</b>	<b>1,060,292,590</b>	<b>1,096,775,247</b>	<b>1,134,805,036</b>
% Change/Previous Year	2.79%	5.55%	4.22%	3.30%	3.57%	3.34%	3.36%	3.39%	3.41%	3.44%	3.47%
Economic Stabilization Fund Deposit	2,200,000	2,200,000	2,200,000	2,200,000	-	-	-	-	-	-	-
Basic City Services Fund Deposit	5,160,000	-	-	-	-	-	-	-	-	-	-
Required Expenditure Reductions and/or Revenue Increases	30,215,000	-	(41,528,569)	(42,775,144)	(45,148,318)	(47,809,594)	(49,856,168)	(53,164,784)	(56,854,962)	(59,958,240)	(64,509,438)

Footnotes:  
 Revenue estimates for 2017 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.

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