

Financial Overview

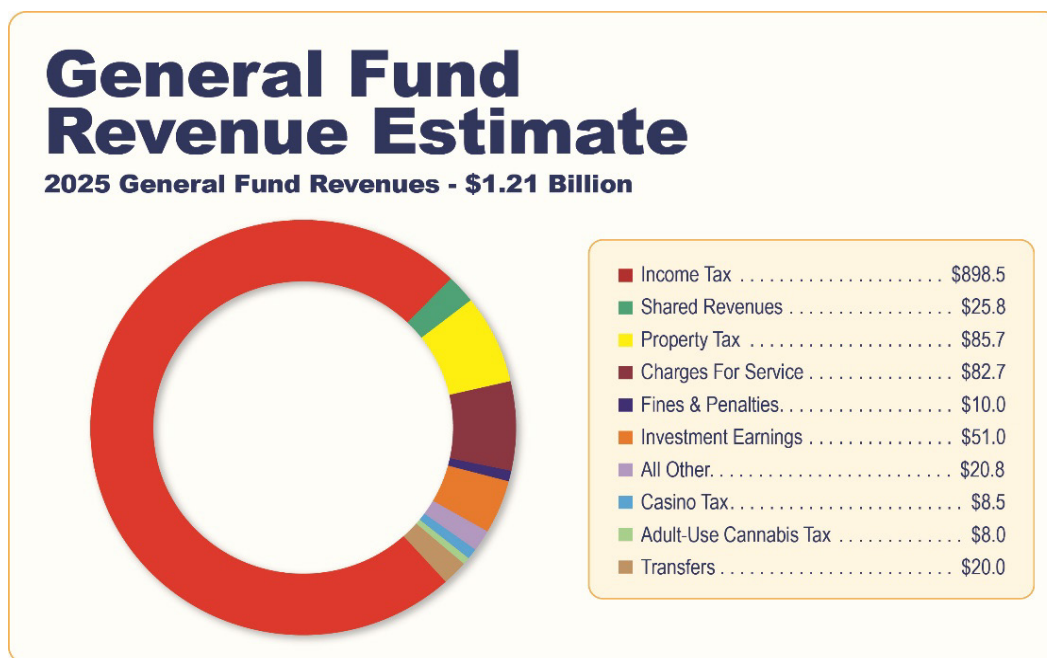
THE CITY OF
COLUMBUS

Revenue

The financial health of the city's general fund is directly tied to the income tax which comprises 74.2 percent of the revenue (including encumbrance cancellations and transfers) 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 2025. After the income tax, the next two largest revenue sources to the general fund are property taxes at 7.1 percent and various charges for services at 6.8 percent.

2025 Projected General Fund Revenue by Source (in millions)



Income tax collections are projected at \$872.3 million in 2024 and \$898.5 million in 2025. The City Auditor's 2025 estimate assumes an increase of 3.0 percent in income tax receipts from the 2024 estimate.

Over the past two decades, 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 2024 projection for these funds is \$25.1 million, and in 2025 this revenue source is projected to increase to \$25.8 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. Because of rising property values, the 2023 reappraisal came in very high. The 2023 reappraisal was realized in 2024. The expected estimates in 2024 and 2025 are projected at \$83.6 million and \$85.7 million, respectively.

Investment earnings are a highly volatile source of revenue and tend to reflect economic conditions. During 2018, the city hired an investment advisor. Through the benefits of the firm's advice, as well as rising interest rates, substantial growth has been seen in investment earnings during the last few years. In 2024 and 2025, earnings are projected at \$50.2 million and \$51.0 million, respectively.

Bond Ratings

The city continues to retain the highest bond rating available for long-term General Obligation debt by all three major rating agencies: Moody's Investors Service, S&P Global Ratings, and Fitch Ratings. Bond ratings of Aaa and AAA, respectively, were awarded to the city in 1995 by Moody's and S&P Global Ratings, and have been maintained ever since. Fitch Ratings rated the city for the first time in 2006, also awarding Columbus the AAA rating. Columbus is one of the largest cities in the nation to maintain the highest credit rating for unlimited and limited general obligation debt from each of the three major rating agencies. These ratings afford Columbus the opportunity to realize savings in the cost of long-term financing, affirm investors' 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.

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 each of 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 met its goal a year early with a balance of \$80.7 million by the end of 2019.

The city's next goal was to achieve a \$90 million fund balance by the end of 2024. After depositing \$3 million into the fund during 2020, \$2 million in 2021, and \$2 million in 2022, the fund reached this goal by the end of 2022, two years ahead of schedule.

During 2022, the city announced a new goal for the rainy day fund - to build a balance of 10% of the 2023 general fund budget of \$1.144 billion (or \$114.4 million) by the end of 2027. The planned deposit schedule through 2025 is illustrated in the following chart.

Economic Stabilization Fund Deposits (000's Omitted)					
Year	Deposit	Investment Earnings	Expended	Year-End Balance	% of GF Budget
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	8.55%
2019	2,750	1,725	-	80,655	8.85%
2020	3,000	1,503	-	85,158	9.12%
2021	2,000	722	-	87,880	8.72%
2022	2,000	897	-	90,777	9.11%
2023	3,750	2,101	-	96,628	8.50%
2024	2,750	3,067	-	102,445	8.56%
2025	-	2,500	-	104,945	8.55%

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 the payment of \$17.8 million for the 27th pay date in 2008, the fund had a balance of \$1.23 million. The 2020 payment totaled \$24.5 million, leaving a balance of \$3.3 million in the fund. Annual deposits are made into the fund to ensure that there are sufficient resources for the next occurrence, which is in 2032. There will not be a deposit into the fund during 2025, leaving a balance of \$14.5 million in the fund.

Anticipated Expenditure Fund Deposits (000's Omitted)			
Year	Deposit	Actual Expense	Year-End Balance
2013	\$2,122	\$0	\$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	(24,473)	3,266
2021	2,687	-	5,953
2022	2,768	-	8,721
2023	2,851	-	11,572
2024	2,937	-	14,509
2025	-	-	14,509

The next occurrence of a year with 27 pay dates will be 2032. Escalating deposits are planned to meet a projected liability of \$35 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.

The basic city services fund began 2024 with a balance of \$49.7 million. A transfer of \$30 million was necessary to fund the 2024 budget. The 2025 budget includes a transfer of \$19.7 million from the fund, leaving a balance of zero in the fund.

2025 Budget Scenario

The 2025 budget was balanced by employing certain key principles, as follows:

- Build a budget from the ground up which is aligned with the Mayor's Opportunity Rising and Equity Agenda.
 - Focus on maintaining essential city services for neighborhoods - police and fire protection, refuse collection, and basic public health services.
 - Review revenue sources to identify new revenues and/or opportunities for increased revenues.
 - 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, and partnering with various organizations and governmental entities.
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- 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 monitor the “rainy day” fund to achieve a balance of 10% of the 2023 general fund budget by the end of 2027.

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 2025 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 2026 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 2026 and beyond.
- Except as otherwise noted, expenditure projections for 2026 and beyond are premised on maintaining 2025 levels of service.
- No general fund moneys are projected for the purchase of vehicles in 2025 and all years thereafter.

Revenue Assumptions

- Income tax receipts are projected to be \$898.5 million in 2025 and will grow by 3.5 percent in 2026 and in all years thereafter.
 - Property taxes will increase by 2.5 percent in 2025, 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 is projected to increase by 1.9 percent in 2025 and then increase by 2.0 percent thereafter.
 - Investment earnings will be \$51 million in 2025 and are projected to increase by 1.0 percent in all future years.
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- Charges for services are expected to increase by 44.9 percent in 2025, then increase by 3.0 percent thereafter.
- The kilowatt hour tax will be \$3.5 million in 2025 and will grow by 0.5 percent in all future years.
- Fines and penalties will increase by 2.9 percent in 2025 and will grow by 3.0 percent thereafter.
- License and permit fees are projected to decrease by 1.4 percent in 2025 and are not projected to grow in all future years.
- Casino revenue will total \$8.5 million in 2025 and increase by 2.0 percent in all years thereafter.
- Adult-Use cannabis revenue, in its first year, is projected at \$8 million in 2025 and will grow by 5.0 percent in all future years.

Division Specific Assumptions

- Three police recruit classes are funded in the general fund in 2025. Thereafter, recruit classes sufficient to replace retiring uniformed staff are projected.
 - One fire recruit class is funded in 2025. Thereafter, recruit classes sufficient to replace retiring uniformed staff are projected.
 - Projections for the Refuse Collection Division assume that the recycling program will be funded fully with general fund dollars in 2025 and all future years.
 - Starting in 2023, Columbus households began to receive recycling services on a weekly basis. This will continue in 2025 and all years thereafter.
 - Tipping fees, funded previously with special income tax funds, will continue to be paid out of the general fund in all future years.
 - The budget includes 25 new full-time employees to help further the efforts of the Mayor's technology department.
 - Funds are included to maintain summer youth programming at the same level funded in 2024.
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GENERAL FUND PRO FORMA OPERATING STATEMENT

Resources:	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Beginning Balance	\$ 50,883,657	\$ 17,103,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income Tax	872,305,000	898,474,000	929,921,000	962,468,000	996,154,000	1,031,019,000	1,067,105,000	1,104,454,000	1,143,110,000	1,183,119,000	1,224,528,000
Property Tax	83,615,000	85,679,000	87,393,000	90,889,000	92,707,000	94,561,000	98,343,000	100,310,000	102,316,000	106,409,000	110,665,000
Kilowatt Hour Tax	3,380,000	3,500,000	3,518,000	3,536,000	3,554,000	3,572,000	3,590,000	3,608,000	3,626,000	3,644,000	3,662,000
Shared Revenues	26,785,000	27,305,000	27,851,000	28,408,000	28,976,000	29,556,000	30,147,000	30,750,000	31,365,000	31,992,000	32,632,000
License and Permit Fees	6,184,000	6,100,000	6,100,000	6,100,000	6,100,000	6,100,000	6,100,000	6,100,000	6,100,000	6,100,000	6,100,000
Fines and Penalties	9,720,000	10,000,000	10,300,000	10,609,000	10,927,000	11,255,000	11,593,000	11,941,000	12,299,000	12,668,000	13,048,000
Investment Earnings	50,200,000	51,000,000	51,510,000	52,025,000	52,545,000	53,070,000	53,601,000	54,137,000	54,678,000	55,225,000	55,777,000
Charges for Service	57,040,000	82,664,000	85,144,000	87,698,000	90,329,000	93,039,000	95,830,000	98,705,000	101,666,000	104,716,000	107,857,000
All Other Revenue	15,870,000	9,750,000	9,750,000	9,750,000	9,750,000	9,750,000	9,750,000	9,750,000	9,750,000	9,750,000	9,750,000
Transfers In	30,000,000	20,000,000	-	-	-	-	-	-	-	-	-
Adult-Use Cannabis	-	8,000,000	8,400,000	8,820,000	9,261,000	9,724,050	10,210,253	10,720,765	11,256,803	11,819,644	12,410,626
Casino Revenue	8,200,000	8,500,000	8,670,000	8,843,400	9,020,268	9,200,673	9,384,687	9,572,381	9,763,828	9,959,105	10,158,287
Total Revenues	1,163,299,000	1,210,972,000	1,228,557,000	1,269,146,400	1,309,323,268	1,350,846,723	1,395,653,939	1,440,048,146	1,485,930,632	1,535,401,748	1,586,587,913
Total Available Resources	1,214,182,657	1,228,075,000	1,228,557,000	1,269,146,400	1,309,323,268	1,350,846,723	1,395,653,939	1,440,048,146	1,485,930,632	1,535,401,748	1,586,587,913
% Change in Revenues from Prior Yr.	6.94%	4.10%	1.45%	3.30%	3.17%	3.17%	3.32%	3.18%	3.19%	3.33%	3.33%
% Change in Resources from Prior Yr.	2.22%	1.14%	0.04%	3.30%	3.17%	3.17%	3.32%	3.18%	3.19%	3.33%	3.33%
Expenditures:	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Development/BZS	58,423,361	44,113,248	46,352,170	47,625,535	48,937,597	50,289,670	51,683,114	53,119,345	54,599,830	56,126,092	57,699,714
Fire	308,262,142	336,244,368	352,185,252	363,409,145	375,010,167	387,001,804	399,398,055	412,213,459	425,463,112	439,162,694	453,328,490
Governmental Services	196,009,833	194,694,749	203,260,131	208,554,665	214,001,603	219,605,870	225,372,569	231,306,992	237,414,621	243,701,142	250,172,449
Health	32,583,512	33,289,251	35,905,062	37,024,228	38,181,233	39,377,470	40,614,385	41,893,482	43,216,328	44,584,550	45,999,841
Judicial Services	46,555,325	47,872,183	51,245,882	52,929,494	54,672,290	56,476,507	58,344,473	60,278,609	62,281,437	64,355,579	66,503,767
Other Safety	45,819,530	47,477,629	50,354,231	51,864,441	53,424,105	55,034,998	56,698,962	58,417,915	60,193,848	62,028,831	63,925,016
Police	382,565,571	397,552,365	415,816,656	429,020,334	442,668,341	456,776,653	471,361,863	486,441,204	499,886,175	513,711,530	527,928,221
Recreation and Parks	57,971,475	58,728,767	62,472,287	64,316,689	66,220,758	68,186,619	70,216,478	72,312,626	74,477,445	76,713,412	79,023,099
Refuse Collection	65,295,097	67,047,367	70,340,738	72,088,103	73,884,213	75,730,636	77,628,998	79,580,987	81,588,350	83,652,904	85,776,533
Public Service	922,022	1,055,072	1,124,227	1,161,406	1,199,875	1,239,683	1,280,877	1,323,509	1,367,633	1,413,304	1,460,579
Fleet-Vehicles	-	-	-	-	-	-	-	-	-	-	-
Operating Expenditures	1,194,407,868	1,228,075,000	1,289,056,635	1,327,994,039	1,368,200,184	1,409,719,909	1,452,599,774	1,496,888,128	1,540,488,779	1,585,450,038	1,631,817,709
% Change/Previous Year	5.40%	2.82%	4.97%	3.02%	3.03%	3.03%	3.04%	3.05%	2.91%	2.92%	2.92%
Economic Stabilization Fund Deposit	2,750,000	-	-	-	-	-	-	-	-	-	-
Basic City Services Fund Deposit	-	-	-	-	-	-	-	-	-	-	-
Required Expenditure Reductions and/or Revenue Increases	\$ 17,103,000	\$ -	\$ (60,499,635)	\$ (58,847,639)	\$ (58,876,916)	\$ (58,873,186)	\$ (56,945,835)	\$ (56,839,982)	\$ (54,558,147)	\$ (50,048,289)	\$ (45,229,797)

Footnotes:

Revenue estimates for 2026 and beyond are those of the Department of Finance and 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/resources, lowered expenditures, or a combination thereof.

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