

# Financial Overview

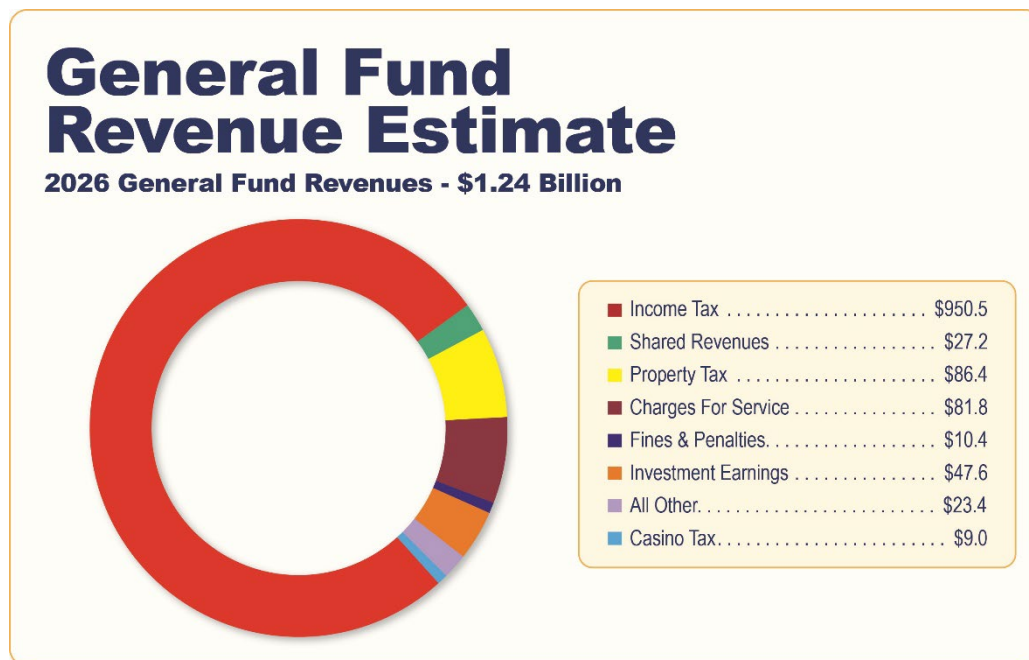
THE CITY OF  
COLUMBUS

## Revenue

The financial health of the city's general fund is directly tied to the income tax which comprises 76.9 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 2026. After the income tax, the next two largest revenue sources to the general fund are property taxes at 7.0 percent and various charges for services at 6.6 percent.

## 2026 Projected General Fund Revenue by Source (in millions)



Income tax collections are projected at \$914 million in 2025 and \$950.5 million in 2026. The City Auditor's 2026 estimate assumes an increase of 4.0 percent in income tax receipts from the 2025 projection.

Over the past few 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 2025 projection for these funds is \$25.8 million, and in 2026 this revenue source is projected to increase to \$27.2 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 expected estimates in 2025 and 2026 are projected at \$85.7 million and \$86.4 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 2025 and 2026, earnings are projected at \$51.0 million and \$47.6 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 Ratings, S&P Global Ratings, and Fitch Ratings, Inc. Bond ratings of Aaa and AAA, respectively, were awarded to the city in 1995 by Moody's Ratings and S&P Global Ratings, and have been maintained ever since. Fitch Ratings, Inc. 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 27<sup>th</sup> 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 percent of the 2023 general fund budget of \$1.144 billion (or \$114.4 million) by the end of 2027. The planned deposit schedule through 2026 is illustrated in the following chart.

Economic Stabilization Fund Deposits (000's Omitted)					
<u>Year</u>	<u>Deposit</u>	<u>Investment Earnings</u>	<u>Expended</u>	<u>Year-End Balance</u>	<u>% of GF Budget</u>
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	3,422	-	102,800	8.58%
2025	-	3,506	-	106,306	8.65%
2026	-	3,000	-	109,306	8.70%

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 27<sup>th</sup> 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 usually 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 2026, leaving a balance of \$14.5 million in the fund.

<b>Anticipated Expenditure Fund Deposits (000's Omitted)</b>			
<b>Year</b>	<b>Deposit</b>	<b>Actual Expense</b>	<b>Year-End Balance</b>
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
2026	-	-	14,509

The next occurrence of a year with 27 pay dates will be 2032. A projected liability of \$39 million in that year is assumed.

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 2025 with a balance of \$19.7 million. The entire balance was transferred into the general fund during 2025. The 2026 budget does not include a transfer from the fund.

## **2026 Budget Scenario**

The 2026 budget was balanced by employing certain key principles, as follows:

- Build a budget that is informed by and aligned with the Mayor's Strategic Priorities.
  - 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.
-

- 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 2026 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 2027 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 ten percent annually in 2027 and beyond.
- Except as otherwise noted, expenditure projections for 2027 and beyond are premised on maintaining 2026 levels of service.
- No general fund moneys are projected for the purchase of vehicles in 2026 and all years thereafter.

## **Revenue Assumptions**

- Income tax receipts are projected to be \$950.5 million in 2026 and will grow by 3.5 percent in 2027 and in all years thereafter.
  - Property taxes will increase by 0.8 percent in 2026, 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 5.5 percent in 2026 and then increase by 3.0 percent thereafter.
  - Investment earnings will be \$47.6 million in 2026 and are projected to increase by 1.0 percent in all future years.
-

## Financial Overview

---

- Charges for services are expected to decrease by 2.8 percent in 2026, then increase by 3.0 percent thereafter.
- The kilowatt hour tax is expected to be \$3.5 million in 2026 and will grow by 0.5 percent in all future years.
- Fines and penalties will increase by 4.0 percent in 2026 and will grow by 3.0 percent thereafter.
- License and permit fees are projected to be \$6.1 million in 2026 and are not projected to grow in all future years.
- Casino revenue should total \$9.0 million in 2026 and increase by 3.0 percent in all years thereafter.

## Division Specific Assumptions

- Two police recruit classes are funded in the general fund in 2026. Thereafter, recruit classes sufficient to replace retiring uniformed staff are projected.
  - One fire recruit class is funded in 2026. Thereafter, recruit classes sufficient to replace retiring uniformed staff are projected.
  - Projections for the Refuse Collection Division assume that the recycling program will be split funded with general funds, income tax set aside funds, and SCMR funds in 2026. Thereafter, only the general fund will support the recycling program.
  - Starting in 2023, Columbus households began to receive recycling services on a weekly basis. This will continue in 2026 and every year thereafter.
  - Tipping fees will be funded out of the income tax set aside fund in 2026 and will be funded out of the general fund in all future years.
  - The 2026 budget includes \$5 million for the resilient housing initiative.
  - The operating budget includes funds to pay the debt service for the new Zero Trust Network effort in the Department of Technology.
  - Operating dollars are included in the Recreation and Parks Department to staff the new Kilbourne Run Sports Park.
  - Funds are included to maintain summer youth programming at the same level funded in 2025.
-

## GENERAL FUND PRO FORMA OPERATING STATEMENT

Resources:	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Beginning Balance	\$ 15,535,263	\$ 20,507,066	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Income Tax	913,974,000	950,533,000	983,802,000	1,018,235,000	1,053,873,000	1,090,759,000	1,128,936,000	1,168,449,000	1,209,345,000	1,251,672,000	1,295,481,000
Property Tax	85,679,000	86,394,000	89,850,000	91,647,000	93,480,000	97,219,000	99,163,000	101,146,000	105,192,000	107,296,000	109,442,000
Kilowatt Hour Tax	3,500,000	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	27,305,000	28,723,000	29,585,000	30,473,000	31,387,000	32,329,000	33,299,000	34,298,000	35,327,000	36,387,000	37,479,000
License and Permit Fees	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	6,100,000
Fines and Penalties	10,000,000	10,400,000	10,712,000	11,033,000	11,364,000	11,705,000	12,056,000	12,418,000	12,791,000	13,175,000	13,570,000
Investment Earnings	51,000,000	47,646,000	48,122,000	48,603,000	49,089,000	49,580,000	50,076,000	50,577,000	51,083,000	51,594,000	52,110,000
Charges for Service	84,164,000	81,824,000	84,279,000	86,807,000	89,411,000	92,093,000	94,856,000	97,702,000	100,633,000	103,652,000	106,762,000
All Other Revenue	24,096,145	12,250,000	12,572,500	12,904,225	13,245,447	13,596,447	13,957,513	14,328,943	14,711,043	15,104,128	15,508,524
Transfers In	20,000,000	-	-	-	-	-	-	-	-	-	-
Adult-Use Cannabis	-	-	-	-	-	-	-	-	-	-	-
Casino Revenue	8,500,000	9,000,000	9,270,000	9,548,100	9,834,543	10,129,579	10,433,467	10,746,471	11,068,865	11,400,931	11,742,959
Total Revenues	1,234,318,145	1,236,370,000	1,277,810,500	1,318,886,325	1,361,337,990	1,407,083,026	1,452,466,980	1,499,373,414	1,549,876,908	1,600,025,059	1,651,857,482
Total Available Resources	1,249,853,408	1,256,877,066	1,277,810,500	1,318,886,325	1,361,337,990	1,407,083,026	1,452,466,980	1,499,373,414	1,549,876,908	1,600,025,059	1,651,857,482
% Change in Revenues from Prior Yr.	6.18%	0.17%	3.35%	3.21%	3.22%	3.36%	3.23%	3.23%	3.37%	3.24%	3.24%
% Change in Resources from Prior Yr.	3.00%	0.56%	1.67%	3.21%	3.22%	3.36%	3.23%	3.23%	3.37%	3.24%	3.24%
Expenditures:	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Development/BZS	47,868,917	41,410,539	42,328,579	43,456,776	44,635,698	45,869,178	47,161,405	48,516,960	49,940,859	51,438,591	53,016,170
Fire	355,025,581	363,469,069	374,305,304	385,714,950	397,745,142	410,447,528	423,878,710	438,100,738	453,181,652	469,196,075	486,225,865
Governmental Services	168,339,864	187,855,763	194,526,137	199,865,199	205,345,543	211,083,798	217,099,952	223,415,877	230,055,514	237,045,075	244,413,272
Health	33,289,251	32,887,105	34,196,251	35,369,128	36,614,357	37,938,276	39,347,836	40,850,667	42,455,142	44,170,453	46,006,691
Judicial Services	49,069,520	46,844,900	48,859,330	50,668,969	52,598,046	54,657,274	56,858,413	59,214,375	61,739,335	64,448,861	67,360,052
Other Safety	47,018,182	48,883,958	50,501,058	52,042,488	53,667,888	55,384,250	57,199,240	59,121,260	61,159,525	63,324,138	65,626,186
Police	432,367,456	444,003,255	457,394,352	471,504,375	486,392,812	502,124,852	518,771,951	536,412,453	555,132,271	575,025,642	596,195,954
Recreation and Parks	65,703,401	58,757,388	61,683,077	63,668,264	65,768,307	67,993,019	70,353,160	72,860,531	75,528,081	78,370,016	81,401,926
Refuse Collection	29,654,875	32,265,355	63,922,891	65,657,314	67,472,023	69,373,183	71,367,537	73,462,468	75,666,055	77,987,148	80,435,439
Public Service	1,009,295	499,734	517,801	536,809	557,063	578,674	601,764	626,467	652,931	681,318	711,806
Fleet-Vehicles	-	-	-	-	-	-	-	-	-	-	-
Operating Expenditures	1,229,346,342	1,256,877,066	1,328,234,780	1,368,484,272	1,410,796,879	1,455,450,031	1,502,639,968	1,552,581,796	1,605,511,364	1,661,687,317	1,721,393,362
% Change/Previous Year	2.86%	2.24%	5.68%	3.03%	3.09%	3.17%	3.24%	3.32%	3.41%	3.50%	3.59%
Economic Stabilization Fund Deposit	-	-	-	-	-	-	-	-	-	-	-
Basic City Services Fund Deposit	-	-	-	-	-	-	-	-	-	-	-
Required Expenditure Reductions and/or Revenue Increases	\$ 20,507,066	\$ -	\$ (50,424,280)	\$ (49,597,947)	\$ (49,458,889)	\$ (48,367,005)	\$ (50,172,988)	\$ (53,208,382)	\$ (55,634,456)	\$ (61,662,258)	\$ (69,535,880)
Footnotes:											
Revenue estimates for 2027 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.											

**Financial Overview**

---

This page has been intentionally left blank.