

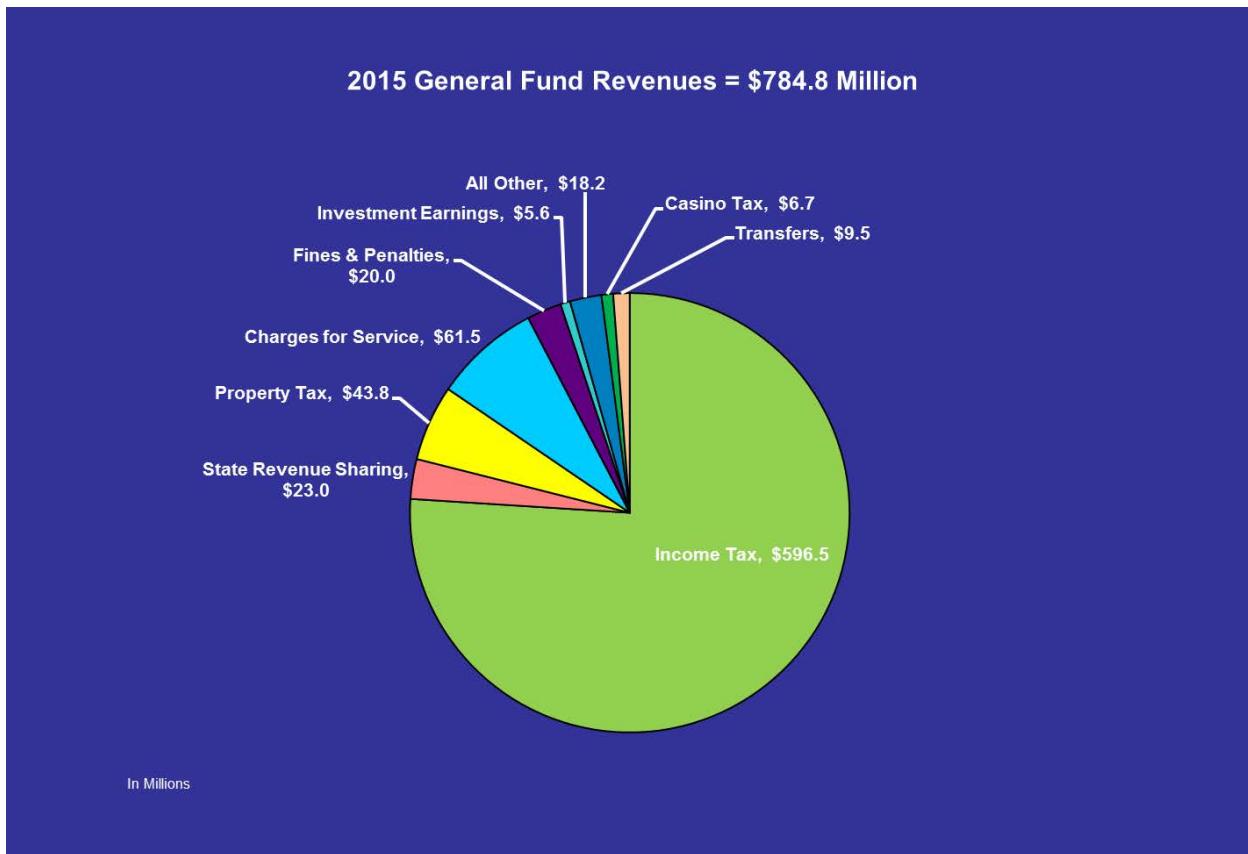


FINANCIAL OVERVIEW

Revenue

The financial health of the city's general fund is directly tied to the income tax which comprises over 76 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. 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 on the following page illustrates the projected amount of revenue expected from each major general fund source in 2015. After the income tax, the next three largest revenue sources to the general fund are various charges for services at eight percent, property taxes at six percent and shared revenues (various state taxes that are shared with local governments) at three percent.



Income tax collections are projected at \$579.3 million in 2014 and \$596.5 million in 2015. The City Auditor's 2015 estimate assumes a three percent growth in income tax receipts in 2015, or an additional \$17.2 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 fund moneys, while the 2014 projection for these funds is \$20.5 million, and in 2015 this revenue source is \$21.7 million. Additionally, the state has eliminated the estate tax effective January 1, 2013. The current 2014 projection for estate tax revenues is \$800,000. It is estimated that the city will receive a modest \$100,000 in residual estate tax revenue in 2015.

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 2014 property tax collections will be 4.38 percent less than those of 2013. Because of reappraisals, property taxes will grow 4.29 percent in 2015.

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 been down but they are growing in

2014 and 2015. In 2014, projected earnings are \$4.8 million, while \$5.6 million is projected for 2015.

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 and \$2.2 million in 2015, the fund will have accumulated almost \$67 million of the 2018 goal of \$75 million.

Financial Overview

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	7.61%
2014	7,600	296	-	64,041	8.35%
2015	2,200	640	-	66,882	8.30%
2016	2,200	669	-	69,751	8.68%
2017	2,200	698	-	72,648	8.76%
2018	2,200	726	-	75,575	8.82%

* 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 27th pay period in 2008, this fund had a balance of \$1.23 million. Annual deposits will be 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	-	15,431
2016	2,318	-	17,749
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 \$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. This fund helped ensure the continuation of basic city services in 2013 and 2014. The city deposited \$11 million into this fund in 2012 and used \$6 million in 2013. In 2014, the city deposited \$5.714 million, but used \$5 million of it, leaving a balance of \$5.714 million. In 2015, \$5.16 million will be deposited into the fund, while \$5.714 will be used for 2015 city services. This will leave a balance of \$5.16 million in the fund.

2015 Budget Scenario

The 2015 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 implementing 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 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 through examination of opportunities to redeploy uniformed police and firefighters, expansion of energy efficiency measures, improvement in the efficiency of fleet and facilities management, expansion of 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 the replenishment of the rainy day fund in order to achieve a balance of \$75 million in the fund 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 2015 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 2016 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-ups over the next ten years is used.
- Insurance costs are projected to grow by five percent annually in 2016 and beyond; however, projections include offsets due to incremental increases in employee shares.
- Expenditure projections for 2016 and beyond are premised on maintaining 2015 levels of service.
- No general fund moneys are projected for the purchase of vehicles in 2015. Starting in 2016 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 \$596.5 million in 2015 and will grow by 3.5 percent in all years thereafter.
- Property taxes will increase by 4.3 percent in 2015, and 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 increase by 5.5 percent in 2015 and then increase by 2.0 percent thereafter.
- Investment earnings will be \$5.6 million in 2015 and are projected to remain at that level in 2016 and thereafter.
- Charges for services are expected to grow by 3.4 percent in 2015 and then by 3.0 percent thereafter.
- The kilowatt hour tax will be \$3.1 million in 2015 and will remain flat thereafter.
- Fines and penalties will increase by .14 percent in 2015 and increase by 2.0 percent thereafter.
- Licenses and permit fees are projected to increase by 8.8 percent in 2015 and increase by 2.0 percent thereafter.
- Casino revenue will total \$6.7 million in 2015 and increase by 3.0 percent in all years thereafter.

Division Specific Assumptions

- Two police recruit classes are funded in the general fund in 2015. Thereafter, recruit classes sufficient to replace retiring uniformed staff are projected.
- One fire recruit class is funded in 2015. 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 2015 and beyond.

GENERAL FUND PRO FORMA OPERATING STATEMENT

Resources:	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Beginning Balance	44,456,866	28,369,000	-	-	-	-	-	-	-	-	-
Income Tax	579,300,000	596,500,000	617,378,000	638,986,000	661,351,000	684,498,000	708,455,000	733,251,000	758,915,000	785,477,000	812,969,000
Property Tax	42,037,217	43,839,000	44,716,000	45,610,000	47,434,000	48,383,000	49,351,000	51,325,000	52,352,000	53,399,000	55,535,000
Kilowatt Hour Tax	1,400,000	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000
Hotel/Motel Tax	-	-	-	-	-	-	-	-	-	-	-
Shared Revenues	22,520,000	23,009,000	23,467,000	23,934,000	24,411,000	24,897,000	25,393,000	25,899,000	26,415,000	26,941,000	27,478,000
License and Permit Fees	10,345,000	11,257,000	11,482,000	11,712,000	11,946,000	12,185,000	12,429,000	12,678,000	12,932,000	13,191,000	13,455,000
Fines and Penalties	19,953,000	19,981,000	20,381,000	20,789,000	21,205,000	21,629,000	22,062,000	22,503,000	22,953,000	23,412,000	23,880,000
Investment Earnings	4,800,000	5,550,000	5,550,000	5,550,000	5,550,000	5,550,000	5,550,000	5,550,000	5,550,000	5,550,000	5,550,000
Charges for Service	59,445,000	61,482,000	63,326,000	65,226,000	67,183,000	69,198,000	71,274,000	73,412,000	75,614,000	77,882,000	80,218,000
All Other Revenue	13,000,519	7,557,000	7,557,000	7,557,000	7,557,000	7,557,000	7,557,000	7,557,000	7,557,000	7,557,000	7,557,000
Basic City Services Transfer	5,000,000	5,714,000	-	-	-	-	-	-	-	-	-
Casino Revenue	6,611,637	6,742,000	6,944,260	7,152,588	7,367,165	7,588,180	7,815,826	8,050,301	8,291,810	8,540,564	8,796,781
Total Revenues	764,412,373	784,731,000	803,901,260	829,616,588	857,104,165	884,585,180	912,986,826	943,325,301	973,679,810	1,005,049,564	1,038,538,781
Total Available Resources	808,869,239	813,100,000	803,901,260	829,616,588	857,104,165	884,585,180	912,986,826	943,325,301	973,679,810	1,005,049,564	1,038,538,781
% Change in Revenues from Prior Yr.	0.75%	2.66%	2.44%	3.20%	3.31%	3.21%	3.21%	3.32%	3.22%	3.22%	3.33%
% Change in Resources from Prior Yr	1.29%	0.52%	-1.13%	3.20%	3.31%	3.21%	3.21%	3.32%	3.22%	3.22%	3.33%
Expenditures:	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Development	33,126,721	24,241,633	24,978,011	25,556,034	26,149,541	26,759,038	27,385,050	28,028,124	28,688,828	29,367,752	30,065,513
Fire	219,020,162	226,040,527	232,177,274	238,341,424	244,735,299	251,370,944	258,261,169	265,419,594	272,860,712	280,599,942	288,653,699
Governmental Services	90,009,213	112,133,164	120,543,083	123,261,567	126,047,601	131,103,196	134,030,435	137,031,477	140,108,562	143,264,012	146,500,234
Health	20,025,818	22,059,245	22,500,430	22,950,438	23,409,447	23,877,636	24,355,189	24,842,293	25,339,139	25,845,921	25,845,921
Judicial Services	27,518,931	28,695,658	29,783,472	30,564,493	31,370,401	32,202,159	33,060,770	33,947,280	34,862,786	35,808,430	36,785,407
Other Safety	14,427,915	14,904,165	15,221,029	15,558,261	15,903,878	16,258,131	16,621,277	16,993,585	17,375,333	17,766,811	18,168,316
Police	289,598,890	302,432,030	312,211,250	320,700,894	329,517,511	338,678,642	348,202,950	358,110,296	368,421,819	379,160,024	390,348,877
Recreation and Parks	32,863,530	36,421,420	37,384,553	38,283,315	39,207,606	40,158,314	41,136,363	42,142,718	43,178,382	44,244,399	44,244,399
Refuse Collection	30,633,559	32,446,708	33,349,629	34,151,235	34,975,603	35,823,526	36,695,828	37,593,367	38,517,039	39,467,774	40,446,543
Public Service	5,961,498	6,365,451	6,611,651	6,786,229	6,966,415	7,152,429	7,344,497	7,542,857	7,747,759	7,959,460	8,178,233
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	4,000,000
Operating Expenditures	767,186,237	805,740,000	838,760,383	860,153,890	882,283,303	907,384,015	931,093,527	955,651,592	981,100,357	1,007,484,526	1,033,237,143
% Change/Previous Year	3.94%	5.03%	4.10%	2.55%	2.57%	2.84%	2.61%	2.64%	2.66%	2.69%	2.56%
Transfer to Economic Stabilization Fund	7,600,000	2,200,000	2,200,000	2,200,000	2,200,000	-	-	-	-	-	-
Transfer to Basic City Services Fund	5,714,000	5,160,000	-	-	-	-	-	-	-	-	-
Required Expenditure Reductions and/or Revenue Increases	28,369,000	-	(37,059,123)	(32,737,302)	(27,379,138)	(22,798,834)	(18,106,701)	(12,326,291)	(7,420,548)	(2,434,962)	-

Footnotes:

Revenue estimates for 2016 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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