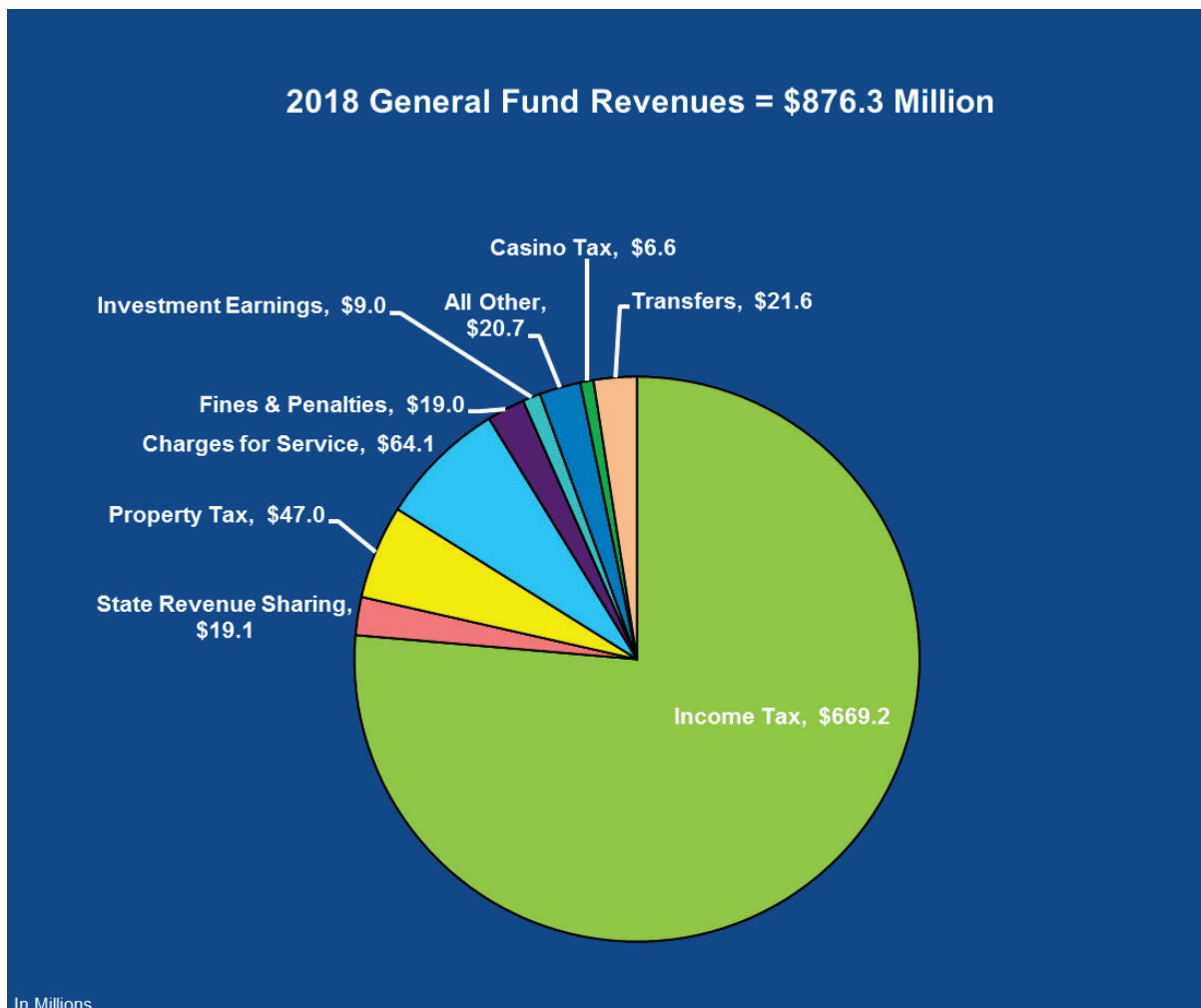


FINANCIAL OVERVIEW

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. 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 2018. 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 five percent.



Financial Overview

Income tax collections are projected at \$651.3 million in 2017 and \$669.2 million in 2018. The City Auditor's 2018 estimate assumes a 2.75 percent growth in income tax receipts in 2018, or an additional \$17.9 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 2017 and 2018. In 2001, the City of Columbus received \$51 million in local government funds, while the 2017 projection for these funds is \$19.7 million, and in 2018 this revenue source is projected at \$19.1 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 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. Property taxes rebounded in 2015 and increased by 0.82 percent over the prior year. Due to increases in property values, property taxes are expected to grow 4.6 percent in 2017 over 2016 collections. In 2018, the benefits of the reappraisal will be realized as property taxes are expected to increase to \$47 million, or 5.1 percent over 2017 projections.

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 2017, projected earnings are \$8.8 million. The City Auditor increased the estimate to \$9 million for 2018.

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.

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 will have accumulated \$75.9 million and will surpass the 2018 goal of \$75 million. In 2017, the city set a new goal to have a fund balance of \$80 million by the end of 2020. The planned deposit 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	466	-	66,741	8.37%
2016	2,200	581	-	69,522	8.50%
2017	3,700	696	-	73,918	8.61%
2018	1,200	739	-	75,857	8.52%
2019	1,750	759	-	78,366	8.85%
2020	1,750	784	-	80,899	8.87%

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

Financial Overview

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 are made into the fund to ensure that there are sufficient resources 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	-	20,138
2018	2,459	-	22,597
2019	2,533	-	25,130
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. Since its creation, this fund has helped to ensure the continuation of basic city services. In 2017, transfers into the basic city services fund totaled \$13.5 million. A one-time rebate from the Ohio Bureau of Workers' Compensation comprised the bulk of these deposits. In 2018, the entire \$16.8 million balance will be transferred into the general fund for basic city services.

2018 Budget Scenario

The 2018 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.
-

- 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 \$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 2018 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 2019 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 2019 and beyond; however, projections include offsets due to incremental increases in employee shares.
- Except as otherwise noted, expenditure projections for 2019 and beyond are premised on maintaining 2018 levels of service.
- No general fund moneys are projected for the purchase of vehicles in 2018. Starting in 2019 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 \$669.2 million in 2018 and will grow by 3.25 percent in all years thereafter.
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Financial Overview

- Property taxes will increase by 5.13 percent in 2018, 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 2.59 percent in 2018 and then increase by 2.0 percent thereafter.
- Investment earnings will be \$9 million in 2018 and are projected to remain at that level in 2019 and thereafter.
- Charges for services are expected to increase by 0.16 percent in 2018 and then grow by 3.0 percent thereafter.
- The kilowatt hour tax will be \$3.1 million in 2018 and will remain flat thereafter.
- Fines and penalties will decrease by 0.28 percent in 2018 and increase by 2.0 percent thereafter.
- Licenses and permit fees will decrease by 0.66 percent in 2018 and increase by 2.0 percent thereafter.
- Casino revenue will total \$6.6 million in 2018 and increase by 3.0 percent in all years thereafter.

Division Specific Assumptions

- Two police recruit classes are funded in the general fund in 2018. Thereafter, recruit classes sufficient to replace retiring uniformed staff are projected.
 - Two fire recruit classes are funded in 2018. 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

Resources:	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Beginning Balance	30,205,726	14,236,000	-	-	-	-	-	-	-	-	-
Income Tax	651,300,000	669,200,000	690,949,000	713,405,000	736,591,000	760,530,000	785,247,000	810,768,000	837,118,000	864,324,000	892,415,000
Property Tax	44,704,826	47,000,000	47,940,000	48,899,000	50,855,000	51,872,000	52,909,000	55,025,000	56,126,000	57,249,000	59,539,000
Kilowatt Hour Tax	3,000,000	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
Shared Revenues	20,911,000	20,370,000	20,777,000	21,193,000	21,617,000	22,049,000	22,490,000	22,940,000	23,399,000	23,867,000	24,344,000
License and Permit Fees	11,380,000	11,305,000	11,531,000	11,762,000	11,997,000	12,237,000	12,482,000	12,732,000	12,987,000	13,247,000	13,512,000
Fines and Penalties	19,041,000	18,988,000	19,368,000	19,755,000	20,150,000	20,553,000	20,964,000	21,383,000	21,811,000	22,247,000	22,692,000
Investment Earnings	8,800,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000
Charges for Service	64,023,000	64,128,000	66,052,000	68,034,000	70,075,000	72,177,000	74,342,000	76,572,000	78,869,000	81,235,000	83,672,000
All Other Revenue	12,294,000	9,897,000	9,897,000	9,897,000	9,897,000	9,897,000	9,897,000	9,897,000	9,897,000	9,897,000	9,897,000
Basic City Services - Transfer In	-	16,784,000	-	-	-	-	-	-	-	-	-
Casino Revenue	6,660,000	6,576,000	6,773,280	6,976,478	7,185,773	7,401,346	7,623,386	7,852,088	8,087,651	8,330,280	8,580,188
Total Revenues	842,113,826	876,348,000	885,387,280	912,021,478	940,467,773	968,816,346	998,054,386	1,029,269,088	1,060,394,651	1,092,496,280	1,126,751,188
Total Available Resources	872,319,552	890,584,000	885,387,280	912,021,478	940,467,773	968,816,346	998,054,386	1,029,269,088	1,060,394,651	1,092,496,280	1,126,751,188
% Change in Revenues from Prior Yr.	3.02%	4.07%	1.03%	3.01%	3.12%	3.01%	3.02%	3.13%	3.02%	3.03%	3.14%
% Change in Resources from Prior Yr.	2.85%	2.09%	-0.58%	3.01%	3.12%	3.01%	3.02%	3.13%	3.02%	3.03%	3.14%
Expenditures:	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Development	38,816,773	26,151,324	27,026,484	27,733,722	28,466,774	29,226,974	30,015,738	30,834,573	31,685,082	32,568,967	33,488,044
Fire	247,434,398	256,695,517	265,830,120	270,940,407	278,481,603	286,322,190	294,478,556	302,968,143	311,809,523	321,022,473	330,628,054
Governmental Services	105,394,558	126,373,898	133,016,374	136,349,204	139,795,766	143,361,630	147,052,707	150,875,275	154,836,000	158,941,966	163,200,697
Health	21,900,464	24,104,236	25,395,558	26,129,850	26,894,674	27,691,751	28,522,912	29,390,109	30,295,422	31,241,067	32,229,406
Judicial Services	30,193,612	31,442,582	32,916,447	33,982,734	35,098,905	36,267,955	37,493,082	38,777,694	40,125,432	41,540,177	43,026,073
Other Safety	14,160,356	14,225,062	14,682,925	15,046,871	15,423,016	15,811,948	16,214,292	16,630,710	17,061,906	17,508,627	17,971,666
Police	319,785,446	330,812,636	340,159,063	349,735,403	359,774,744	370,227,995	381,118,355	392,470,528	404,310,830	416,667,302	429,569,820
Recreation and Parks	39,398,805	41,631,467	42,884,612	44,077,333	45,317,361	46,607,283	47,949,853	49,348,005	50,804,860	52,323,746	53,908,204
Refuse Collection	33,225,674	34,262,846	35,798,589	36,802,398	37,846,431	38,932,904	40,064,175	41,242,753	42,471,315	43,752,706	45,089,964
Public Service	3,715,971	3,684,432	3,852,130	3,945,104	4,041,053	4,140,115	4,242,434	4,348,166	4,457,475	4,570,534	4,687,528
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
Operating Expenditures	854,026,057	889,384,000	925,562,301	948,743,026	975,140,327	1,002,590,744	1,031,152,103	1,060,885,958	1,091,857,846	1,124,137,563	1,157,799,455
% Change/Previous Year	4.70%	4.14%	4.07%	2.50%	2.78%	2.82%	2.85%	2.88%	2.92%	2.96%	2.99%
Economic Stabilization Fund Deposit	2,700,000	1,200,000	-	-	-	-	-	-	-	-	-
Basic City Services Fund Deposit	1,750,000	-	-	-	-	-	-	-	-	-	-
Required Expenditure Reductions and/or Revenue Increases	14,236,000	-	(40,175,021)	(36,721,547)	(34,672,554)	(33,774,399)	(33,097,717)	(31,616,870)	(31,463,195)	(31,641,283)	(31,048,266)

Footnotes:

Revenue estimates for 2019 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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