

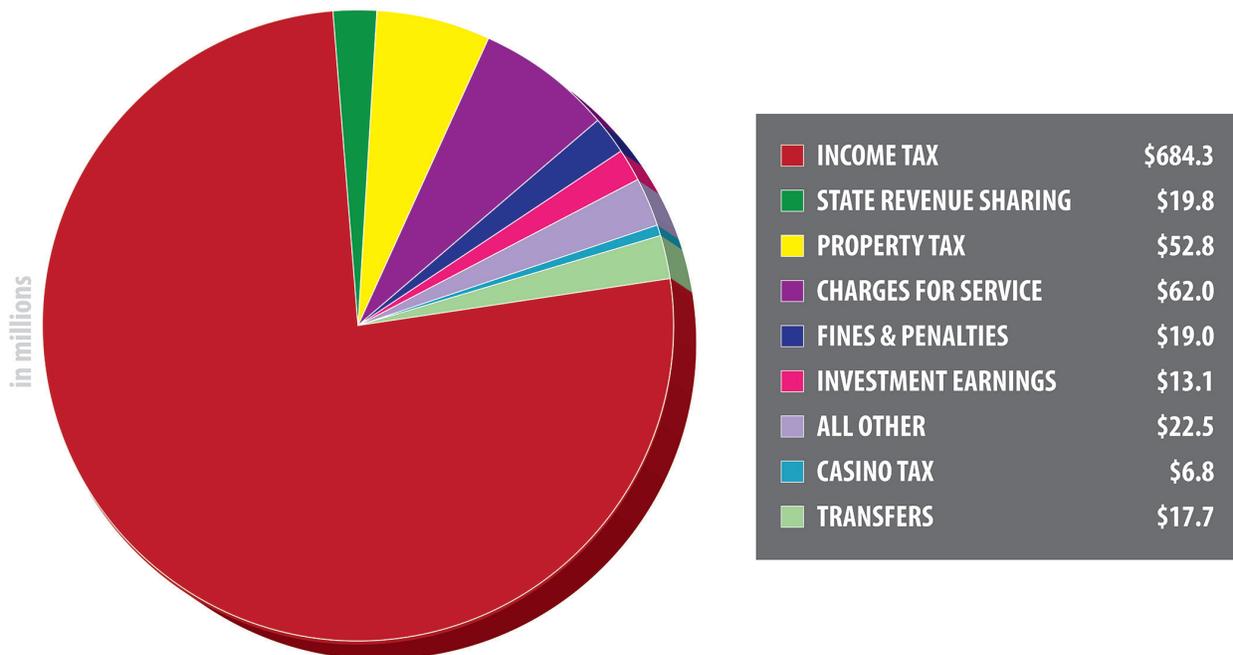
Financial Overview

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 (including encumbrance cancellations) 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 2019. 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 six percent.

2019 Projected General Fund Revenue by Source (in millions)



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Income tax collections are projected at \$666.2 million in 2018 and \$684.3 million in 2019. The City Auditor's 2019 estimate assumes a 2.25 percent growth in income tax receipts over the 2018 original estimate, or an additional \$15.1 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 funds. The 2018 projection for these funds is \$19.1 million, and in 2019 this revenue source is projected to grow to \$19.8 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. 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. In 2018, the benefits of the reappraisal will be realized as property taxes are expected to increase to \$49 million, or 9.6 percent over 2017 collections. Further growth will be realized in 2019 as property taxes are projected at \$52.8 million, a 7.8 percent increase over the 2018 projection.

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. Growth should be substantial in 2018 and 2019 as earnings are projected at \$11 million and \$13.1 million, respectively.

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 \$76.2 million and surpassed 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. A deposit of \$1.75 million will be made into the fund in 2019. The planned deposit schedule through 2020 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	724	-	73,946	8.58%
2018	1,200	1,067	-	76,213	8.60%
2019	1,750	1,000	-	78,963	8.66%
2020	1,000	1,000	-	80,963	8.90%

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

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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	-	27,739

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 2018, deposits into the basic city services fund totaled \$13.1 million. A one-time rebate from the Ohio Bureau of Workers' Compensation comprised the bulk of these deposits. In 2019, the entire \$13.0 million balance will be transferred into the general fund for basic city services.

2019 Budget Scenario

The 2019 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.
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- 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 \$80 million by the end of 2020.

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 2019 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 2020 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 five percent annually in 2020 and beyond.
- Except as otherwise noted, expenditure projections for 2020 and beyond are premised on maintaining 2019 levels of service.
- No general fund moneys are projected for the purchase of vehicles in 2020 and all years thereafter.

Revenue Assumptions

- Income tax receipts will be \$684.3 million in 2019 and will grow by 3.0 percent in all years thereafter.
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- Property taxes will increase by 7.83 percent in 2019, 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 increase by 3.51 percent in 2019 and then increase by 3.0 percent thereafter.
- Investment earnings will be \$13.1 million in 2019, will grow by 3 percent for 2 years, and are projected to remain flat in 2022 and thereafter.
- Charges for services are expected to decrease by 4.83 percent in 2019 and then grow by 3.0 percent thereafter.
- The kilowatt hour tax will be \$2.8 million in 2019 and will remain flat thereafter.
- Fines and penalties will be flat in 2019 and increase by 1.0 percent thereafter.
- Licenses and permit fees will increase by 0.45 percent in 2019 and increase by 1.0 percent thereafter.
- Casino revenue will total \$6.8 million in 2019 and increase by 3.0 percent in all years thereafter.

Division Specific Assumptions

- Two police recruit classes are funded in the general fund in 2019. Thereafter, recruit classes sufficient to replace retiring uniformed staff are projected.
 - Two fire recruit classes are funded in 2019. 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.
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GENERAL FUND PRO FORMA OPERATING STATEMENT

Resources:	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Beginning Balance	17,670,166	14,017,067	-	-	-	-	-	-	-	-	-
Income Tax	666,200,000	684,258,000	704,786,000	725,930,000	747,708,000	770,139,000	793,243,000	817,040,000	841,551,000	866,798,000	892,802,000
Property Tax	49,000,000	52,838,000	53,895,000	56,051,000	57,172,000	58,315,000	60,648,000	61,861,000	63,098,000	65,622,000	66,934,000
Kilowatt Hour Tax	3,100,000	2,790,000	2,790,000	2,790,000	2,790,000	2,790,000	2,790,000	2,790,000	2,790,000	2,790,000	2,790,000
Shared Revenues	20,370,000	21,085,000	21,718,000	22,370,000	23,041,000	23,732,000	24,444,000	25,177,000	25,932,000	26,710,000	27,511,000
License and Permit Fees	11,305,000	11,356,000	11,470,000	11,585,000	11,701,000	11,818,000	11,936,000	12,055,000	12,176,000	12,298,000	12,421,000
Fines and Penalties	18,988,000	18,988,000	19,178,000	19,370,000	19,564,000	19,760,000	19,958,000	20,158,000	20,360,000	20,564,000	20,770,000
Investment Earnings	11,000,000	13,050,000	13,442,000	13,845,000	13,845,000	13,845,000	13,845,000	13,845,000	13,845,000	13,845,000	13,845,000
Charges for Service	65,128,000	61,984,000	63,844,000	65,759,000	67,732,000	69,764,000	71,857,000	74,013,000	76,233,000	78,520,000	80,876,000
All Other Revenue	14,076,736	11,919,000	11,919,000	11,919,000	11,919,000	11,919,000	11,919,000	11,919,000	11,919,000	11,919,000	11,919,000
Basic City Services - Transfer In	16,784,000	12,962,619	-	-	-	-	-	-	-	-	-
Casino Revenue	6,576,000	6,752,314	6,954,883	7,163,530	7,378,436	7,599,789	7,827,783	8,062,616	8,304,495	8,553,629	8,810,238
Total Revenues	882,527,736	897,982,933	909,996,883	936,782,530	962,850,436	989,681,789	1,018,467,783	1,046,920,616	1,076,208,495	1,107,619,629	1,138,678,238
Total Available Resources	900,197,902	912,000,000	909,996,883	936,782,530	962,850,436	989,681,789	1,018,467,783	1,046,920,616	1,076,208,495	1,107,619,629	1,138,678,238
% Change in Revenues from Prior Yr.	3.90%	1.75%	1.34%	2.94%	2.78%	2.79%	2.91%	2.79%	2.80%	2.92%	2.80%
% Change in Resources from Prior Yr.	2.34%	1.31%	-0.22%	2.94%	2.78%	2.79%	2.91%	2.79%	2.80%	2.92%	2.80%
Expenditures:	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Development	42,690,792	26,611,854	27,385,528	28,144,872	28,927,539	29,734,329	30,566,072	31,423,629	32,307,897	33,219,804	34,160,317
Fire	255,961,641	264,143,851	273,658,835	281,313,309	290,335,836	299,664,300	309,309,763	319,283,717	329,598,100	340,265,316	351,298,251
Governmental Services	106,367,150	127,884,076	134,359,327	137,902,986	141,550,188	145,304,331	149,168,939	153,147,670	157,244,313	161,462,800	165,807,212
Health	22,900,285	24,997,885	26,263,304	27,073,181	27,910,298	28,775,654	29,670,291	30,595,293	31,551,784	32,540,937	33,563,971
Judicial Services	31,309,228	31,880,250	32,733,562	33,820,492	34,946,239	36,112,299	37,320,227	38,571,644	39,868,237	41,211,764	42,604,056
Other Safety	14,634,088	16,026,448	16,449,386	16,875,148	17,313,088	17,763,597	18,227,080	18,703,957	19,194,665	19,699,654	20,219,393
Police	335,847,844	342,358,831	354,544,632	364,927,850	376,796,772	389,074,395	401,775,745	414,916,436	428,512,702	442,581,416	457,140,123
Recreation and Parks	40,326,391	41,332,906	42,984,314	44,282,551	45,623,677	47,009,246	48,440,872	49,920,236	51,449,083	53,029,229	54,662,562
Refuse Collection	31,312,664	33,300,842	34,310,380	35,278,361	36,277,023	37,307,462	38,370,818	39,468,277	40,601,072	41,770,486	42,977,853
Public Service	3,630,586	713,057	747,389	772,318	798,129	824,852	852,524	881,179	910,856	941,593	973,430
Fleet-Vehicles	-	-	-	-	-	-	-	-	-	-	-
Operating Expenditures	884,980,669	909,250,000	943,436,656	970,391,070	1,000,478,789	1,031,570,464	1,063,702,331	1,096,912,038	1,131,238,709	1,166,722,999	1,203,407,167
% Change/Previous Year	3.20%	2.74%	3.76%	2.86%	3.10%	3.11%	3.11%	3.12%	3.13%	3.14%	3.14%
Economic Stabilization Fund Deposit	1,200,000	1,750,000	-	-	-	-	-	-	-	-	-
Basic City Services Fund Deposit	-	1,000,000	-	-	-	-	-	-	-	-	-
Required Expenditure Reductions and/or Revenue Increases	14,017,067	-	(33,439,773)	(33,608,540)	(37,628,353)	(41,888,675)	(45,234,548)	(49,991,422)	(55,030,214)	(59,103,370)	(64,728,929)

Footnotes:

Revenue estimates for 2020 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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