



# City of Cincinnati

## Budget Basics

To access the Budget on the  
Internet:

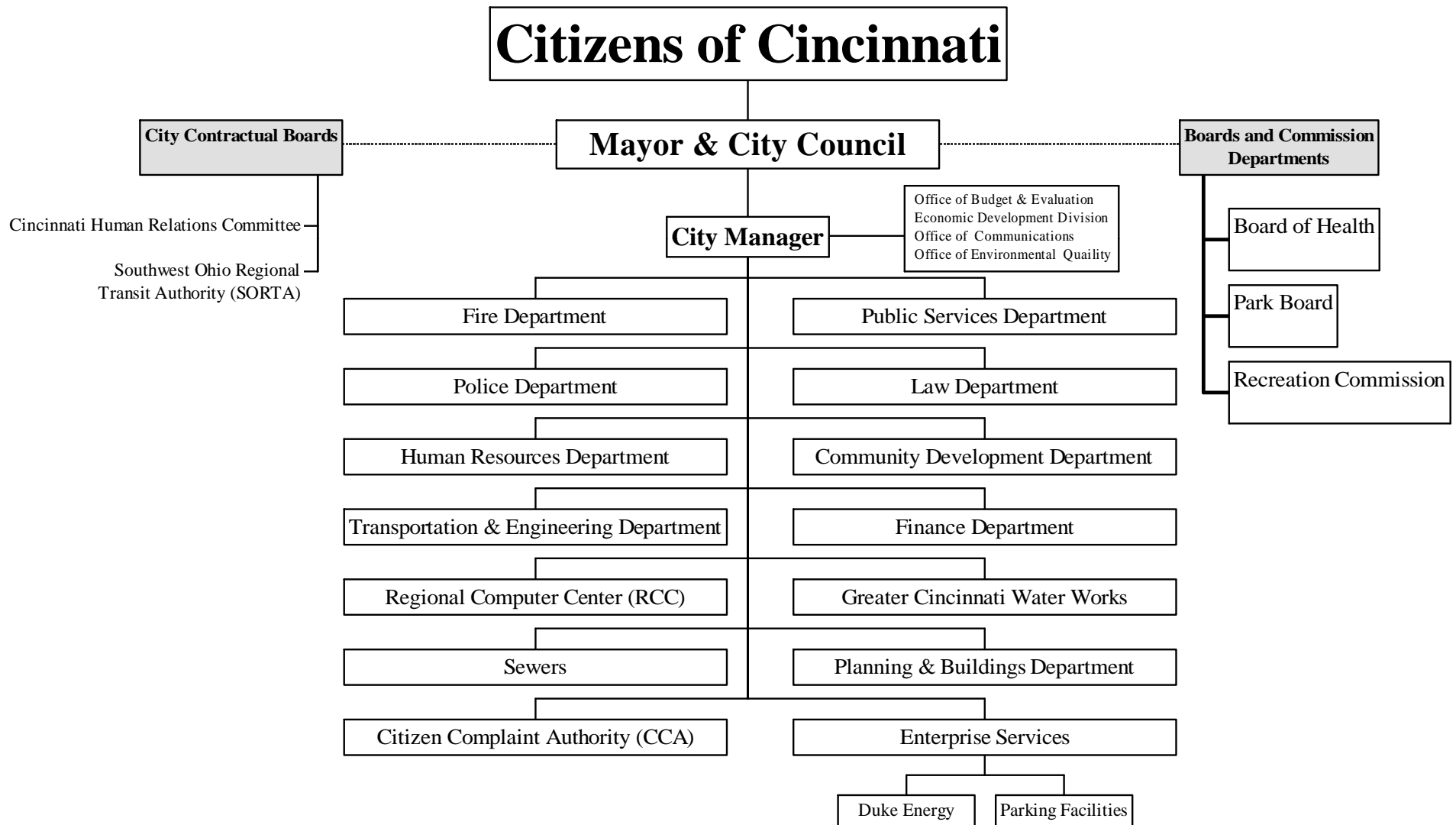
<http://www.cincinnati-oh.gov/cmgr/pages/-12848-/>



# Overview

- City Government Structure
- City All Funds Budget Structure and Basics
- Budget Development Process
- Budget Strategy

# City Government Structure





# Estimate Revenues

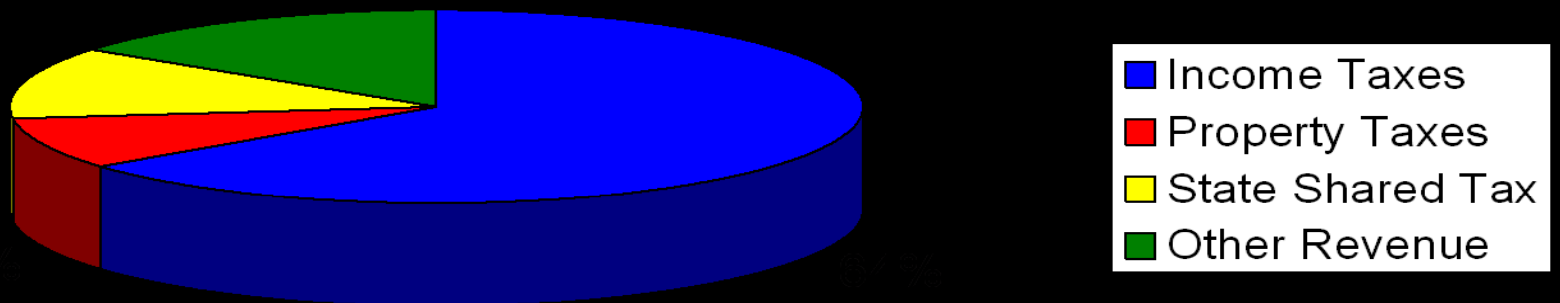
- Finance Department estimates revenues for next budget year to establish budgets for all funds
- Two UC different economic forecasters used to set income tax estimates
- Historical trends, current information and changes to fees are used to forecast next year's revenue estimates



# Estimate Revenues

- General Fund 2009 revenue estimates originally set at \$365 million, then reduced to \$337 million
- General Fund 2010 revenue estimates originally set at \$376 million, then reduced to \$334.5 million

# General Fund Revenues



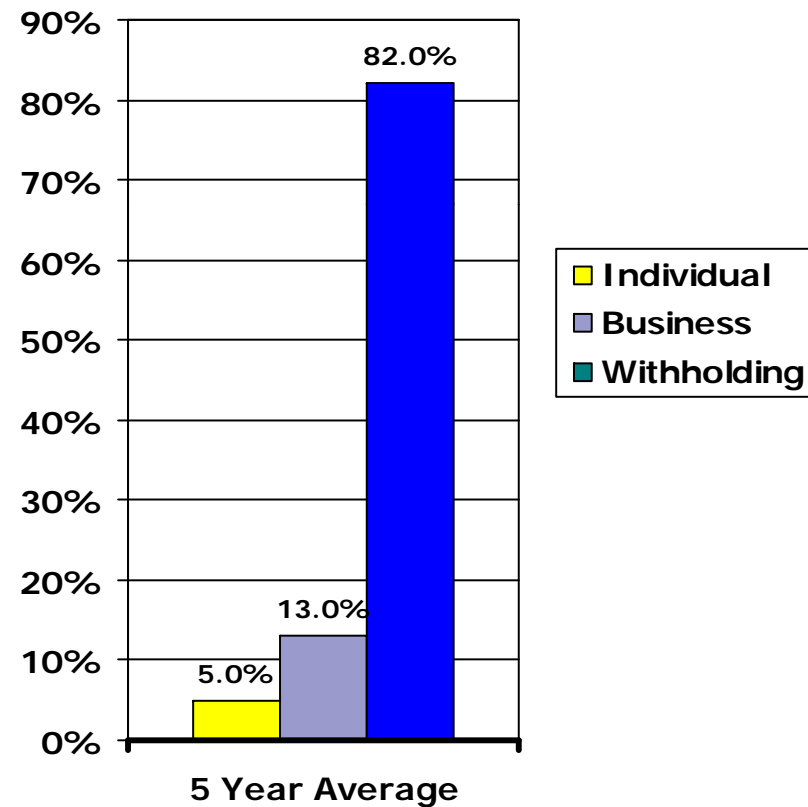


# Income Taxes

- 2.1% of gross salaries, wages, other personal services compensation and business net profits
- Applies to all earnings derived in the city regardless of residency
- Rule is first where you work, then where you live
- If you live in city and work outside, you pay other municipality rate first then pay the difference to the city

# Income Tax Sources

- Individual
- Business
- Withholding





# Income Tax Distribution

- 1.55% General Operating
- .30% Transit
- .15% Capital
- .10% Infrastructure
- Distribution set by City Charter



# Property Taxes

- Property taxes collected semiannually
- Collected by Hamilton County and remitted to the City of Cincinnati
- Levied on real property, public utilities property, and tangible property (equipment and inventory of business)



# Property Taxes

- City's current millage for operating expenses is 4.46
- Millage is updated annually
- Limit of 6.1 mills for operations
- Recommended by City Council and approved by County Budget Commission
- City Council's policy to rollback to 2000 collection amounts



# 2010 Property Tax

- Each 1 mill generates \$5.8 million and impacts owner of \$100k house by \$31 a year.
- Since 2001, the City has or will forgo an estimated \$68 million by the end of 2010 by continuing to roll back the property tax.
- Returning to 6.1 mills would generate ~\$9.6 million in General Fund revenue and impact owner of \$100k house by \$51 a year.



# State Shared Revenues

## Local Government Funds

- Consist of portions of the State income, sales and use, public utility and corporate franchise taxes
- Represent 7.5% of the estimated 2010 General Fund Revenue
  - 2009 revenues: \$25.4M
  - 2010 estimate: \$25.2M

## Estate Taxes

- A graduated tax levied on the estate of a decedent
- Represent 4% of the estimated 2010 General Fund Revenue



# Other Revenues

- Admission taxes
- Licenses and permits
- Fines, forfeitures & penalties
- Income from Treasury investments
- Represent 15% of the estimated 2010 General Fund Revenue



# Enterprise Funds

- Operates like a business, user fees support 100% of operation
- No tax dollars associated with operation
- Revenues generated stay within the fund as mandated by State law
- Water Works, Sewers, Parking Facilities, Convention Center, Golf Courses and Lunken Airport



# Special Revenue Funds

- Not self supported (user fees do not pay for 100% cost) but restricted to purpose
- General Fund used to supplement
- Revenues generated stay within the fund as mandated by State law
- Parks and recreation special activities funds, grants funds, health centers funds



# Capital

- Fixed asset with lifespan of 5 years or more
- Once appropriated to a capital account, monies cannot be used for operating expenses
- Buildings
- Streets
- Equipment



# Capital Resources

## General Capital

- Income Taxes (.15%)
- Bond Sales
- Southern Ohio Railroad

## Restricted Capital



# General Obligation Bond Sale

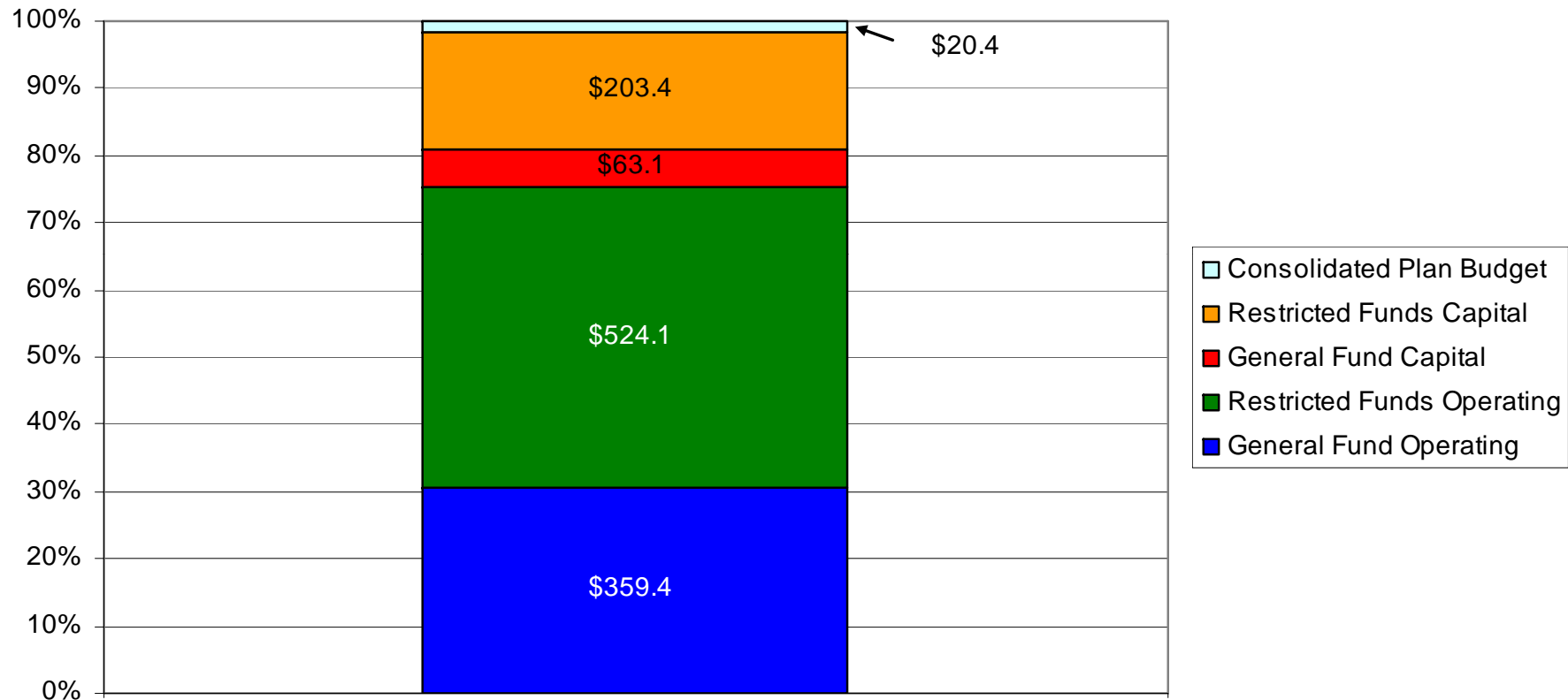
- Issued once per year
- Used to finance capital projects
- Debt capacity set by State standards
- Repaid from designated portion of property taxes collected for capital
- Current Bond Rating (Moody's Aa1 and Standard & Poor's AA+)



# Restricted Capital

- Enterprise funds capital
- Revenues from operations would repay debt
- Water Works sells debt approximately every other year
- Hamilton County sells debt for MSD

# Budget Breakout



**2010 Approved Budget Update (In \$millions)**



# Budget Structure

- Operating Budget

- General Fund

- Police

- Fire

- Planning & Buildings

- Finance

- Human Resources

- Public Services

- Transportation & Engineering

- Health

- Regional Computer Center

- Community Development

- Parks

- Recreation

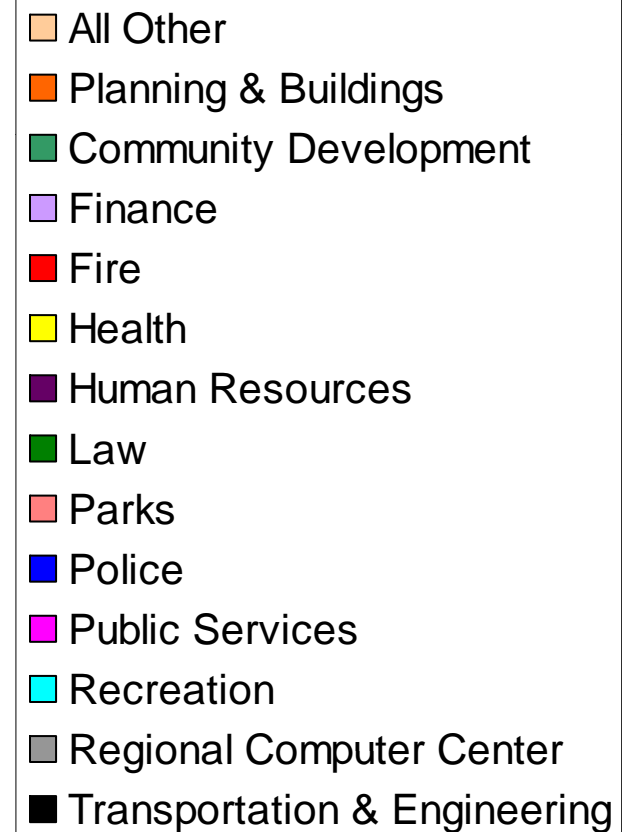
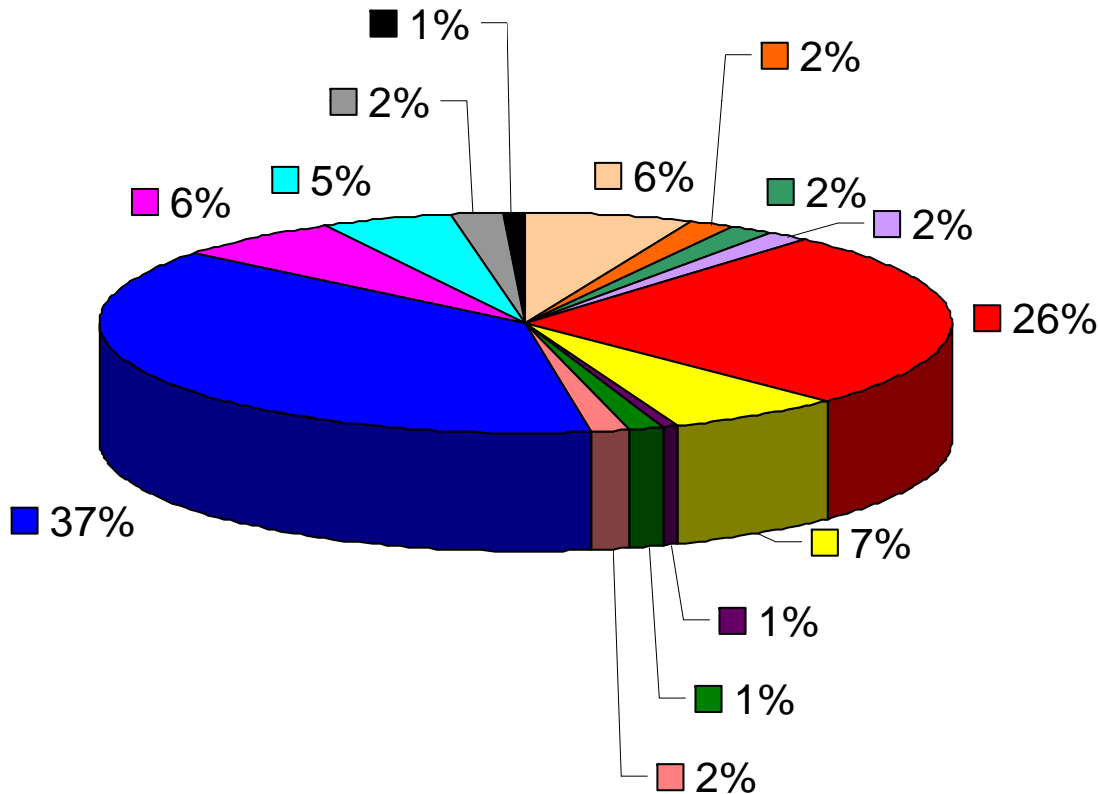
- Law

- Citizen Complaint Authority

- Restricted Funds (e.g., water, sewer, parking)

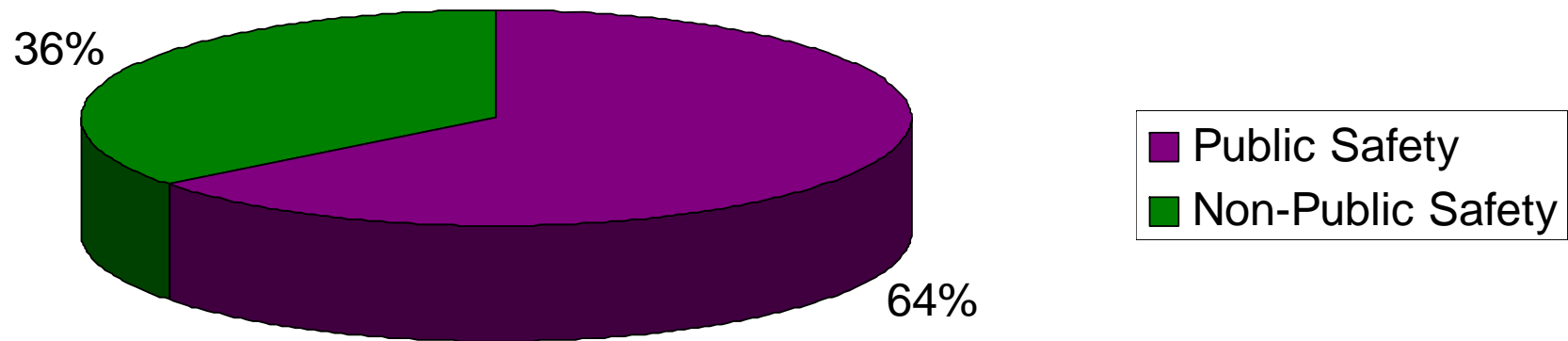
# 2010 General Fund Operating Budget

## ■ Expenses



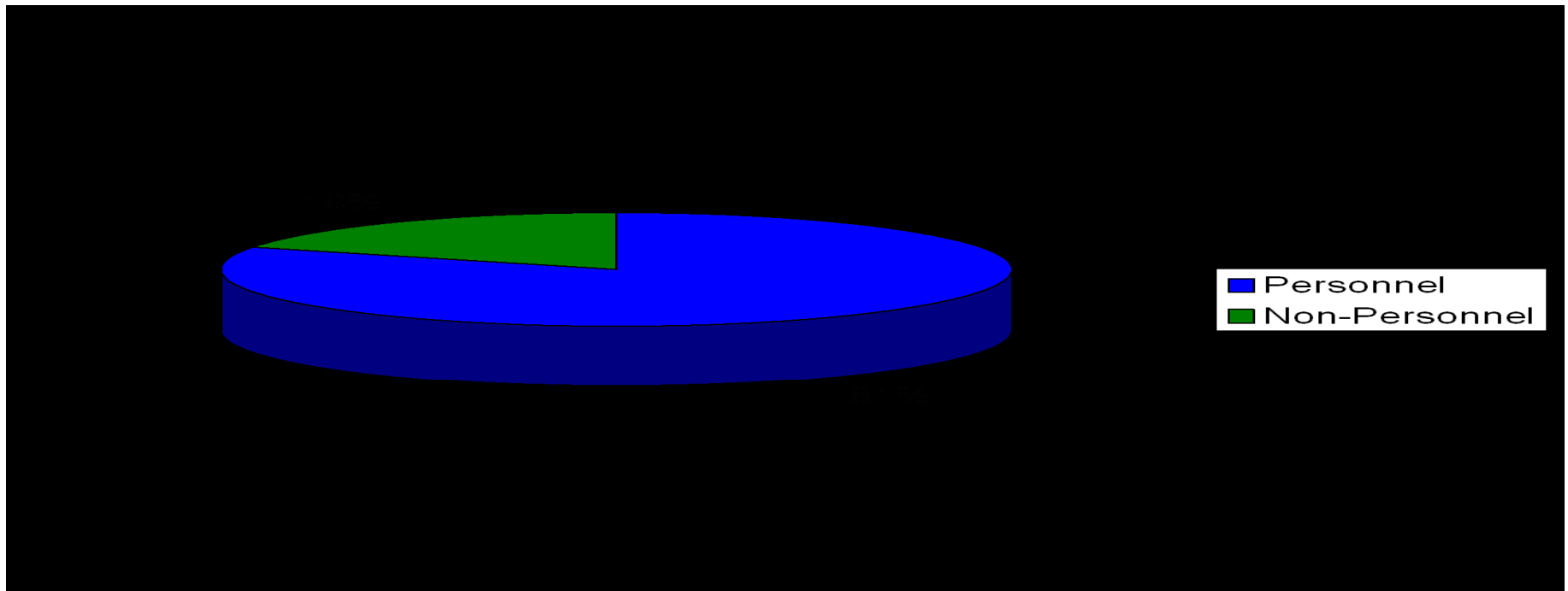
# 2010 General Fund Operating Budget

- Public Safety vs. Non Public Safety



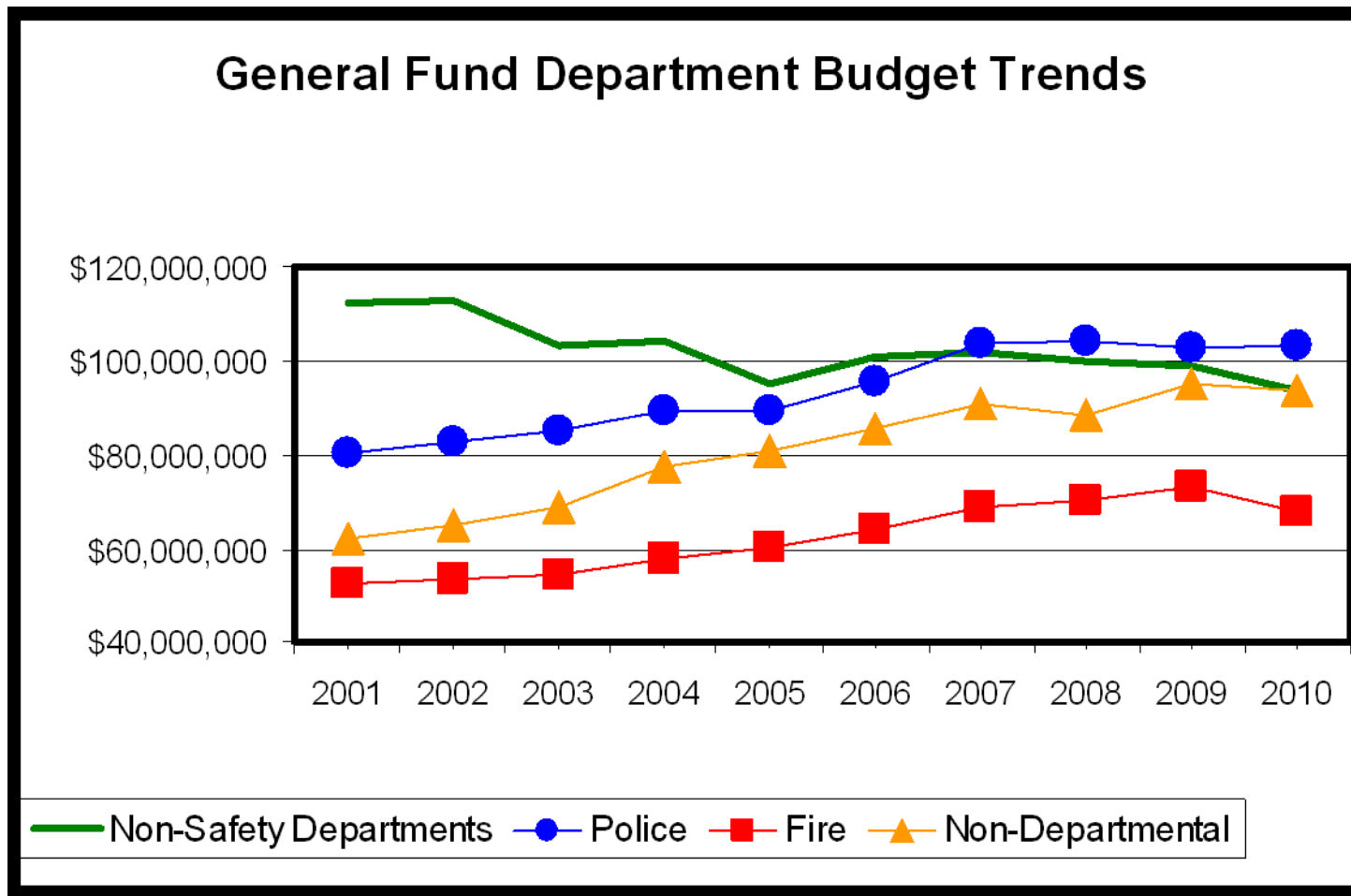
# 2010 Operating Budget


## ■ Personnel vs. Non-personnel



- 91% of all city employees are in a bargaining unit and represented by a union
- 9% are non-represented

# General Fund Budget Trends

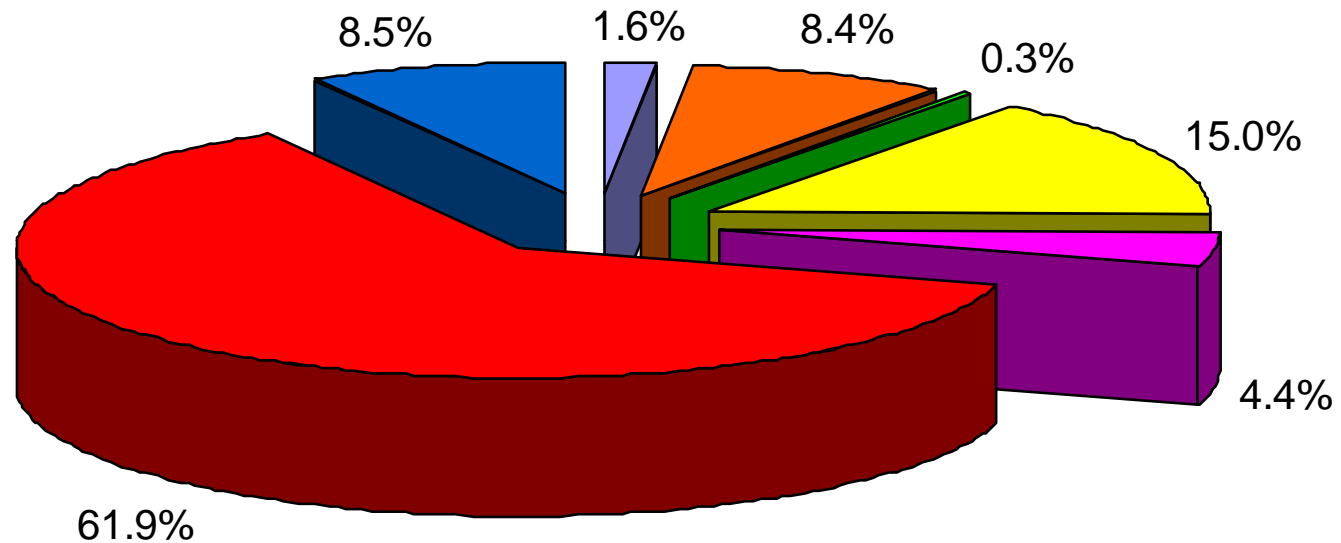




# Budget Structure, Cont'd

- **Capital Budget** – Useful Life 5 years, \$10,000 min. cost
  - General Capital (e.g. streets, facilities, equipment, economic development, etc.)
  - Restricted Capital (e.g. water mains, sewer mains, Parking Garages, etc.)
  - Capital Grants (County, State & Federal)

# 2010 General Capital Expenditure Categories




- |                                    |                        |
|------------------------------------|------------------------|
| Debt Service Payments              | Economic Development   |
| Environment                        | Equipment              |
| Housing & Neighborhood Development | Infrastructure (Smale) |
| New Infrastructure                 |                        |



# Infrastructure

- Smale Commission established in 1986 and identified infrastructure needs
- 0.1% increase in the city income tax passed by voters
- Monies allocated to Infrastructure by law can only be used for infrastructure



# Budget Structure, Cont'd

- Consolidated Plan Budget
  - Community Development Block Grant (CDBG)
  - Home Investment Partnerships (HOME)
  - Emergency Shelter Grant (ESG)
  - Housing Opportunities for Persons with Aids (HOPWA)



# Budget Development Process

- Biennial Budget cycle: FY 2011/2012
  - Policy and Education Stage (Winter/Spring)
    - Neighborhood Support & Education
      - Neighborhood Summit
    - Community Priority Requests (CPR)
    - Enhanced Citizen Engagement (“The Citizens Budget”)
    - Budget Policy Development Process
      - Identify significant Issues, performance data, and policy framework
  - Financial Capacity Stage (Winter/Spring)
    - Demographic/Economic Trends and Outlook
    - Revenue and Expenditure Forecast
      - Identify cost escalators and revenue drivers



# Budget Development Process, Cont'd

- Biennial Budget Cycle: FY 2011/2012, Cont'd
  - Budget Development Stage (Summer/Fall/Winter)
    - Operating, Capital, & Consolidated Plan Development
    - Citizen Review
      - Community Development Advisory Board, Human Services Advisory Committee, etc.
    - Public Budget Hearings
  - Implementation Stage (On-going)
    - Budget Control
    - Budget Amendments



# Overall Budget Strategy

- Expand the Tax Base
  - Economic Development & Neighborhood Investment as focal points (e.g. GO Cincinnati)
  - Recruit and retain jobs
- Reduce the size of government
  - Early Retirement Incentive (Saved \$10 million)
  - Continued elimination of vacant positions
- Restructure delivery of services for improved efficiency and effectiveness
  - Neighborhood Enhancement Program
  - Reorganized departments focus on excellence
  - Enhanced professional development



QUESTIONS?