

**CITY OF COLUMBUS  
GENERAL FUND  
THREE-YEAR FINANCIAL PLAN  
2014-2015-2016**

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**INTRODUCTION**

This three-year financial plan, issued by the City of Columbus, Department of Finance and Management, is for calendar years 2014, 2015 and 2016.

The purpose of a three-year financial plan is to enable the city to expand the focus of its fiscal decision-making from the one-year horizon provided by the annual budget process to a multi-year horizon. This will allow for more extensive deliberations of the impact of policy options the city may consider. While technically less detailed and complicated than the annual budget, a financial plan provides the basis for identifying and quantifying the implications of budget decisions and the economic realities faced by the city.

Utilization of a multi-year financial planning process is an important component in continuing to maintain the city's economic health. The plan aids the Finance and Management Department in preparing for the Mayor's next budget proposal (2015 Budget), and also provides a sense of the economic outlook for one additional year beyond the budget year.

**CONTEXT**

In the fall of 2001, Mayor Michael B. Coleman appointed his first Economic Advisory Committee to identify, research, and recommend to the Mayor and City Council, financial options and available resources for long range financial planning. On October 15, 2001, the Committee issued the first of two reports. One of numerous "best practices" contained in the first report included a recommendation to develop a three-year financial plan.

The Finance Director subsequently appointed a Financial Plan Working Group to develop an effective financial planning process and framework. The Working Group issued its final report and recommendations in August, 2002. The city's first three-year plan was completed for calendar years 2003-2004-2005. This is the city's twelfth three-year plan.

## **TARGET BUDGETING**

The Finance and Management Department uses a budget methodology in which each city department funded with general fund dollars is provided with a target amount for the budget year. That amount represents the department's proportionate share of projected revenues for the budget year, based upon its share of the prior year's distribution of general fund appropriations, with certain adjustments.

This plan will form the basis for the target budgets and instructions given to each city department to use in developing their budget proposals for the next year (2015).

## **THE PLAN OUTLINE**

The three-year financial plan includes the City Council adopted budget for 2014 as well as projections for 2015 and 2016. Only the city's general fund is included in the plan. Actual 2013 data is also provided as a point of reference.

The plan includes five tables:

Table 1	General Fund – Plan Summary
Table 2	General Fund – Current Revenues
Table 3	General Fund – Current Expenditures
Table 4	General Fund – Proposals to Eliminate the Gap
Table 5	General Fund – Assumptions

It is most instructive to discuss each table of the plan in the following order: Tables 5, 2, 3, 4 and finally 1.

<b>TABLE 5 – ASSUMPTIONS</b>
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Table 5 details the assumptions behind the current revenue and expenditure estimates contained in the plan.

Where applicable, assumptions contained within the 10-year general fund pro forma produced for the 2014 annual budget are carried forward into this financial plan. However, in some instances, pro forma assumptions have been modified since several months have passed since the 2014 budget document and pro forma were developed.

Assistance is received from all departments in estimating the general fund expenditure implications of the recently adopted 2014 budget on the 2015 and 2016 projections herein.

For expenditures, assumptions are outlined on Table 5 for the timing and number of police and fire recruit classes as well as the projected numbers of police and fire separations.

Transfers to the economic stabilization fund (ESF) are also included in the 2015 and 2016 projections, reflecting the city's goal of building the ESF to \$75 million by 2018. These deposits total \$5 million in 2015 and \$5 million in 2016.

To replenish the anticipated expenditure fund for the next occurrence of a 27<sup>th</sup> pay period, transfers from the general fund of \$2.25 million and \$2.32 million are projected in 2015 and 2016, respectively.

<b>TABLE 2 – REVENUES</b>
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Table 2 includes actual revenues for 2013, and estimates developed by the Finance and Management Department for 2014, 2015 and 2016.

The 2014 Finance and Management Department revenue estimate exceeds the City Auditor's current official estimate by a total of \$4.05 million. Finance and Management's 2014 estimates serve as the basis for the 2015 and 2016 total revenue projections. These projections total \$776.1 million in 2015 and \$800.2 million in 2016.

Revenue assumptions are provided on Table 5. The city's top revenue generating sources are described in more detail below.

**Income Tax** – The city's primary source of revenue is the income tax – it comprises approximately 75 percent of total revenues to the general fund. In August, 2009, voters approved a half percent increase in the city's income tax rate, taking it from 2.0 percent to 2.5 percent. The increase went into effect on October 1, 2009. The City Auditor's current 2014 income tax estimate is \$577.4 million. Finance and Management's estimate is \$581.5 million. The plan uses a 3.50 percent growth rate for the income tax in both 2015 and 2016.

**Property Tax** – The city's second largest revenue source represents approximately 6 percent of all general revenue receipts. The property tax consists of two main components: real and other property and tangible personal property.

- **Real and Other Property** – The real and other property component is the largest component of the Property Tax revenue source. Large increases in this component typically occur every six years due to comprehensive reappraisals. Less formal triennial updates occur the third year in between the 6-year reappraisals. The City Auditor currently estimates an increase of .71 percent in real and other property tax receipts in 2014. Similarly, this report assumes a .71 percent increase for 2014, a one percent growth in 2015 (a triennial update year) and a .5 percent growth in 2016.
- **Tangible Personal Property** – Tangible personal property (which includes inventory, manufacturing machinery and equipment, and furniture and fixtures) brought in \$242,426 in 2013. The State of Ohio implemented an accelerated reimbursement phase out as part of the 2012/2013 budget that eliminates any reimbursement to local governments for loss of this tax by calendar year 2014. This plan reflects that phase-out.

**Local Government Funds** – This is the city's third largest revenue source, comprising approximately 3 percent of general fund revenues. The State's 2012/2013 executive

budget cut the city's local government fund allocation by 25 percent in the first year (SFY 2012) and 50 percent in the second year (SFY 2013). While these revenues are assumed to continue to decline slightly in 2014, increases of two percent are projected in both 2015 and 2016.

**Estate Tax** – The State of Ohio has eliminated the estate tax for 2013 and beyond.

**Casino Tax** – In 2009, a constitutional amendment was passed in Ohio, allowing for casinos in four Ohio cities. In 2012, as casinos opened in the State of Ohio, the state began collecting taxes on casino revenues. The city's share of revenue for 2014 is estimated at \$6.1 million. The plan assumes that casino revenue grows to \$6.2 million in 2015 and 6.4 million in 2016.

**Total Revenues** – Details on the city's other revenue sources are outlined in Table 5. Total revenues are projected to increase by 2.9 percent in 2015 and 3.1 percent in 2016.

<b>TABLE 3 – EXPENDITURES</b>
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Table 3 outlines expenditures broken down by personnel and non-personnel categories. Significant expenditure assumptions include:

- Police
  - 2 police classes in 2015; 35 recruits in June and December.
  - 2 police classes in 2016; 35 recruits in June and December.
    - Assumes 70 uniformed retirements in both years.
  
- Fire
  - 1 fire class in 2015; 40 recruits in June.
  - 1 fire class in 2016; 40 recruits in June.
    - Assumes 40 uniformed retirements in both years.
  
- Personnel (i.e., salary and wage) increases are projected at rates consistent with current bargaining agreements or salary ordinances.
  
- Health insurance costs are assumed to increase by 7 percent in 2015 and 2016.
  
- Citywide pension costs include the employee and the employer's share. Until recently, the city paid 100 percent of the employee's share of the Ohio Public Employees Retirement System (OPERS) costs. Beginning in 2010, however, one percent per year was shifted to the employee for members of CMAGE and MCP, followed by AFSCME in 2011. Current contracts stipulate, and the financial plan anticipates, further increases in the employees' contribution for the duration of the plan. Additionally, all new MCP, CMAGE and AFSCME employees are now responsible for 100 percent of their own contribution to OPERS. For employees of

the Police and Fire Pension Fund, the FOP's pick-up will continue to decrease by one percent in 2014, 2015 and 2016. The IAFF pick-up declined by 2 percent in January 2013 and another 1.5 percent in January 2014. In October 2014 it will be reduced to zero. The employee share of pension costs projected for this report reflects the rate in effect for each employee group at a given point in time. This is to be distinguished from the current employer share, which will continue to be paid by the city.

- Inflationary increases of 2 percent were assumed for most goods and services.
- In 2014, \$1.75 million in social services contracts was funded out of the emergency human services fund. The balance was picked up by the general fund. Projections for 2015 and 2016 assume the emergency human services fund will continue to fund some portion of social service contracts.
- The curbside recycling program, which began in 2012, will continue through 2016.
- In 2013, special income tax (SIT) funds were used to purchase replacement vehicles. In 2014 however, \$4 million was budgeted in the general fund for this purpose. This report assumes that this trend will continue in 2015 and 2016 with \$5 million and \$6 million projected for this purpose, respectively.
- Transfers out of the general fund into the economic stabilization fund will total \$7.60 million in 2014, \$5 million in 2015 and \$5 million in 2016. Similarly, transfers from the general fund to the anticipated expenditure (or 27<sup>th</sup> pay period) fund will total \$2.185 million in 2014, \$2.25 million in 2015 and \$2.32 million in 2016.
- Safety – The Department of Public Safety receives the largest share of the general fund budget. The following table provides a breakdown of safety related expenditures and compares them to the total general fund for all departments:

**Department of Public Safety**  
(in millions of \$)

	Actual 2013	Budget 2014	Estimate 2015	Estimate 2016
Personnel	\$ 466.84	\$ 481.94	\$ 506.54	\$ 522.24
Citywide Transfers <sup>1</sup>	2.12	4.04	2.53	2.58
Other Capital (Fleet Only)	-	2.72	3.40	4.08
All other Non-Personnel	<u>45.43</u>	<u>46.90</u>	<u>45.49</u>	<u>46.66</u>
<b>Grand Total Safety Department</b>	<b><u>\$ 514.39</u></b>	<b><u>\$ 535.60</u></b>	<b><u>\$ 557.96</u></b>	<b><u>\$ 575.55</u></b>
<b>Grand Total All Departments</b>	<b><u>\$ 754.14</u></b>	<b><u>\$ 807.40</u></b>	<b><u>\$ 829.75</u></b>	<b><u>\$ 859.12</u></b>
<b>Safety % of Total</b>	68.21%	66.34%	67.24%	66.99%

<sup>(1)</sup> In 2013, safety comprised 85% of total general fund personnel costs. It is therefore assumed that 85% of the deposit to the anticipated expenditure fund will be used for safety personnel costs. It is assumed that 68% of the funds budgeted in the Finance citywide account in 2014, 2015 and 2016 will be used for safety related purposes (except for deposits to the economic stabilization fund and funds for economic development incentive payments) as overall, 68% of general fund costs in 2013 were safety related.

**TABLE 4 – PROPOSALS TO ELIMINATE THE GAP**

Table 4 outlines the proposals to eliminate the gaps between current revenues and projected expenditures. In 2015 and 2016, it is notable that the gap includes “new needs” identified by departments as part of their financial plan submission. Options to reduce the gap include encumbrance cancellations, use of the prior year’s unencumbered general fund balance, projected revenue above that set by the City Auditor, spending below existing appropriation and basic city services fund or other fund transfers.

Specific substantive and policy-impacting proposals to eliminate the gap are part of the ongoing budget and general fiscal discussions of the city. The financial plan itself does not present detail of the varied proposals and options for achieving balance. Such proposals will be a separate, ongoing activity of the current budget year and the budget planning processes for 2015 and eventually 2016.

**TABLE 1 – PLAN SUMMARY**

Table 1 captures data from Tables 2-4 (Current Revenues, Current Expenditures, and Proposals to Eliminate the Gap) in order to provide a summarized overview of the projected financial situation faced by the city through year 2016.

The gap between current revenues and current expenditures can be seen in this table. The \$53.13 million gap for 2014 is reduced, in part, by the large carryover from 2013. The 2015 and 2016 gaps will be eliminated through increased revenues, reduced expenditures or some combination thereof.

**THE FINANCIAL PLAN IN SUMMARY**

In summary, once beginning balances and/or one-time transfers are taken into consideration, the city’s three-year financial plan shows that in order to balance the upcoming 2015 budget year, \$38.11 million in some combination of additional revenues and/or expenditure reductions will be necessary. Likewise, to balance in 2016, \$51.12 million in adjustments are needed. Both years include funding for “new-needs” totaling \$7.04 million in 2015 and \$8.18 million in 2016.



**CITY OF COLUMBUS  
2014-2015-2016 FINANCIAL PLAN**

April 2014

**TABLE 1  
GENERAL FUND - PLAN SUMMARY  
THREE-YEAR FINANCIAL PLAN  
2014-2015-2016  
(in millions of \$)**

	Year #	1	2	3
	Actual 2013	Budget 2014	Estimate 2015	Estimate 2016
<b>TOTAL CURRENT REVENUE</b>	\$ 745.54	\$ 754.27	\$ 776.05	\$ 800.18
<b>CURRENT EXPENDITURES</b>				
Personnel	561.84	628.82	657.45	677.79
Materials, Services, Transfers and All Other	174.19	168.80	158.01	165.83
Deposits (includes repayments to ESF and deposits to anticipated exp. fund)	18.11	9.79	7.25	7.32
<b>TOTAL CURRENT EXPENDITURES</b>	754.14	807.40	822.71	850.94
<b>GAP (DIFFERENCE REVENUE/EXPENDITURES)</b>	<b>(8.59)</b>	<b>(53.13)</b>	<b>(46.66)</b>	<b>(50.76)</b>
New Needs	-	-	7.04	8.18
Miscellaneous	-	-	-	-
<b>GAP TO BE CLOSED</b>	<b>(8.59)</b>	<b>(53.13)</b>	<b>(53.70)</b>	<b>(58.93)</b>
<b>PROPOSALS TO ELIMINATE THE GAP</b>				
Encumbrance Cancellations	3.09	3.24	3.00	3.00
Unencumbered Balance	39.90	44.46	2.74	-
Transfer from 2013 Basic City Services Fund	6.00	5.00	5.71	-
Other Transfers	4.06	3.18	4.14	4.81
Additional Revenue/Expenditure Changes Needed to Balance	-	-	38.11	51.12
<b>TOTAL PROPOSALS TO ELIMINATE THE GAP</b>	53.05	55.88	53.70	58.93
<b>REMAINING GAP TO BE CLOSED (-) / BALANCE (+)</b>	<b>\$ 44.46</b>	<b>\$ 2.74</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF COLUMBUS  
2014-2015-2016 FINANCIAL PLAN**

April 2014

**TABLE 2  
GENERAL FUND - CURRENT REVENUES  
THREE-YEAR FINANCIAL PLAN  
2014-2015-2016  
(in millions of \$)**

	Year #	1	1	2	3
	Actual 2013	Estimate 2014	Estimate 2014	Estimate 2015	Estimate 2016
Revenue Estimate Source:	Actual	Auditor Est	Finance & Mgmt.	Finance & Mgmt.	Finance & Mgmt.
<b>CURRENT REVENUE</b>					
Income Tax	\$ 560.44	\$ 577.40	\$ 581.45	\$ 601.80	\$ 622.87
Property Tax	43.96	43.81	43.81	44.34	44.57
Casino Tax	5.62	6.06	6.06	6.24	6.43
KWH Tax	1.69	1.80	1.80	1.80	1.80
Hotel/Motel Tax	1.24	-	-	-	-
<b>Total Taxes and Assessments</b>	<b>612.94</b>	<b>629.07</b>	<b>633.13</b>	<b>654.19</b>	<b>675.66</b>
Local Government Fund	21.62	20.54	20.54	20.95	21.37
Estate Tax	9.43	2.00	2.00	-	-
Liquor Permit Fund, Cigarette Tax, Other	1.28	1.18	1.18	1.21	1.24
<b>Total Shared Revenues</b>	<b>32.32</b>	<b>23.72</b>	<b>23.72</b>	<b>22.16</b>	<b>22.61</b>
License and Permit Fees	10.90	11.35	11.35	11.57	11.80
Fines and Penalties	19.45	19.95	19.95	20.35	20.76
Investment Earnings	2.63	4.00	4.00	4.00	4.00
Charges for Services	59.87	60.45	60.45	61.97	63.54
All Other Revenue	7.43	1.68	1.68	1.80	1.80
<b>Total Other Revenue</b>	<b>100.28</b>	<b>97.43</b>	<b>97.43</b>	<b>99.70</b>	<b>101.91</b>
<b>TOTAL CURRENT REVENUE</b>	<b>\$ 745.54</b>	<b>\$ 750.22</b>	<b>\$ 754.27</b>	<b>\$ 776.05</b>	<b>\$ 800.18</b>

**April 2014**

**TABLE 3  
GENERAL FUND - CURRENT EXPENDITURES  
THREE-YEAR FINANCIAL PLAN  
2014-2015-2016  
(in millions of \$)**

	Year #	1	2	3
	Actual 2013	Budget 2014	Estimate 2015	Estimate 2016
<b>CURRENT EXPENDITURES</b>				
<b><u>Personnel:</u></b>				
Salaries	\$ 371.58	\$ 422.77	\$ 442.19	\$ 454.99
Insurance	83.12	96.10	104.90	112.81
Benefits	107.13	109.95	113.88	114.08
Total Personnel	\$ 561.84	\$ 628.82	\$ 660.97	\$ 681.88
<b><u>Non-Personnel:</u></b>				
Technology	14.74	17.25	17.25	17.27
Fleet Maintenance	17.95	25.11	23.68	24.21
Other Capital	0.02	4.34	5.36	6.35
Materials & Supplies	12.23	10.50	11.19	11.38
Services	54.90	71.92	75.09	78.98
Other	16.56	0.66	0.72	0.73
Transfers <sup>1</sup>	57.79	39.02	28.24	31.00
Total Non-Personnel	\$ 174.19	\$ 168.80	\$ 161.53	\$ 169.92
<b><u>Deposits:</u></b>				
Economic Stabilization Fund	16.05	7.60	5.00	5.00
Anticipated Expenditure Fund	2.06	2.19	2.25	2.32
Total Deposits	18.11	9.79	7.25	7.32
<hr/>				
<b>TOTAL CURRENT EXPENDITURES</b>	<b>\$ 754.14</b>	<b>\$ 807.40</b>	<b>\$ 829.75</b>	<b>\$ 859.12</b>

<sup>(1)</sup> Transfers primarily reflect items budgeted in the citywide account that are later expensed elsewhere (i.e. legal settlements). Economic stabilization fund and anticipated expenditure fund deposits are shown separately. General fund subsidies to Health and Recreation and Parks, normally appearing as general fund transfers, have been allocated to the other categories on a proportional basis for those two departments.

April 2014

**TABLE 4  
GENERAL FUND - PROPOSALS TO ELIMINATE THE GAP  
THREE-YEAR FINANCIAL PLAN  
2014-2015-2016  
(in millions of \$)**

	Year #	1	2	3
	Actual 2013	Budget 2014	Estimate 2015	Estimate 2016
<b>PROPOSALS TO ELIMINATE THE GAP</b>				
Encumbrance Cancellations	\$ 3.09	\$ 3.24	\$ 3.00	\$ 3.00
Unencumbered Balance	39.90	44.46	2.74	-
Additional revenue or Expenditure Changes Needed to Balance	-	-	-	-
Transfers from Economic Stabilization Fund	-	-	-	-
Transfer from 2013 Basic City Services Fund	6.00	5.00	5.71	-
Other Transfers	4.06	3.18	4.14	4.81
Expenditure Reductions to Balance Original Budget	-	-	38.11	51.12
<b>TOTAL PROPOSALS TO ELIMINATE THE GAP</b>	<b>\$ 53.05</b>	<b>\$ 55.88</b>	<b>\$ 53.70</b>	<b>\$ 58.93</b>

April 2014

**TABLE 5  
GENERAL FUND - ASSUMPTIONS  
THREE-YEAR FINANCIAL PLAN  
2014-2015-2016**

<u>REVENUES</u>		<u>2015</u>	<u>2016</u>
1	Income Tax                      Expert Judgment	3.50%	3.50%
2	Property Tax                      Expert Judgment	1.00%	0.50%
3	KWH Tax                              Pro Forma Growth Rate	0.00%	0.00%
4	Hotel/Motel Tax                      Eliminated Deposit to GF in 2014	NA	NA
5	Casino Tax                              Expert Judgment	3.00%	3.00%
6	Local Govt. Fund                      Assumes State of Ohio Reductions	2.00%	2.00%
7	Estate Tax                              Eliminated in 2013	NA	NA
8	Liquor, Cigarette, Other              2003 - 2012 Average Actual Growth Rate, 10 Years	2.59%	2.59%
9	License and Permit Fees              Pro Forma Growth Rate	2.00%	2.00%
10	Cable Fees                              Pro Forma Growth Rate	2.00%	2.00%
11	Fines and Penalties                      Pro Forma Growth Rate	2.00%	2.00%
12	Investment Earnings                      Expert Judgment	0.00%	0.00%
13	EMS                                      Pro Forma Growth Rate	3.00%	3.00%
14	Pro Rata                                  Expert Judgment	2.00%	2.00%
15	Other Charges for Service              Pro Forma Growth Rate	3.00%	3.00%
16	All Other Revenue                      1991 - 2013 Average Amount in Dollars	\$1,804,875	\$1,804,875

**EXPENDITURES**

- 1 **Inflationary increases** totaling 2% per year for 2015 and 2016 for most basic goods and services are assumed.
- 2 **Vacancy credits** are assumed in many divisions' projections, the amounts of which vary depending upon the size of the division and the rate of employee turnover.
- 3 **Safety recruit classes, separations, other**  
**Police:**  
 2 recruit classes are projected in 2015 - class of 35 recruits in June and December.  
 2 recruit classes are projected in 2016 - class of 35 recruits in June and December.  
 70 separations are projected in 2015.  
 70 separations are projected in 2016.  
 Sworn overtime costs are projected to total \$9.474 mil. in 2015 and \$9.758 mil. in 2016.  
 Wage increases for sworn police personnel are projected at 3% effective Dec '14, 3% Dec '15 and 3% Dec '16;  
 pension pick-up is projected at 2.46% in 2015 and 1.46% in 2016.  
**Fire:**  
 1 recruit class is projected in 2015 - class of 40 recruits in June.  
 1 recruit class is projected in 2016 - class of 40 recruits in June.  
 40 separations are projected in 2015.  
 40 separations are projected in 2016.  
 Sworn overtime costs are projected to total \$6.405 mil. in 2015 and \$6.597 mil. in 2016.  
 Projected wage increases for uniformed personnel are at 2.0% in Nov '15 and 2% in Nov '16; pension pick-up is projected at 0% in '15 and 0% in '16.  
**Police and Fire termination pay** for sworn personnel is paid out of the general fund in 2015 and 2016.  
 Projected revenue for **E-911** funds are \$1.379 mil. in 2015 and \$1.379 mil. In 2016.  
 Projected revenue from **Photo Red Light funds** are deducted from the general fund (\$1.39 mil. in 2015 and 2016).

**April 2014**

**TABLE 5 (continued)  
GENERAL FUND - ASSUMPTIONS  
THREE-YEAR FINANCIAL PLAN  
2014-2015-2016**

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**EXPENDITURES (continued)**

- 4 **Social Service Contracts** are funded by both the general and emergency human services (EHS) funds in 2014, with \$3.2 mil. in general fund and \$1.75 mil. in EHS funds. An inflation factor of 2% is applied for 2015 and 2016.
- 5 Additional funds are projected to fund **economic development incentive agreements** in 2015 and 2016.
- 6 **Technology** costs for 2015 and 2016 are based on that department's financial plan submission, prorated among customer departments based on the 2014 appropriation. Police Net costs are included in 2015 and 2016.
- 7 **Fleet** costs for 2015 and 2016 are based on that department's financial plan submission for each customer.
- 8 **Legal Settlement** costs of \$2.6 mil. in 2014, \$1.0 mil. in 2015 and \$1.0 mil. in 2016 are assumed.
- 9 **Anticipated expenditure fund** deposits total \$2.19 mil. in 2014, \$2.25 mil. in 2015 and \$2.32 mil. in 2016.
- 10 **Health insurance** costs are inflated by 7% in both 2015 and 2016.
- 11 **Economic stabilization fund** deposits will total \$7.6 mil. in 2014, and \$5.0 mil. in 2015 and 2016.
- 12 General fund moneys will be used for **vehicle purchases** in 2015 and 2016, with \$5.0 mil. projected in 2015 and \$6.0 mil. projected in 2016.

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**PROPOSALS TO ELIMINATE THE GAP**

- 1 Make full use of encumbrance cancellations and prior year carryover.
  - 2 Reduce expenditures, eliminate or postpone some "new needs" pending identification of additional resources.
  - 3 Identify additional revenues.
-