

**CITY OF COLUMBUS**

**GENERAL FUND**  
**THREE-YEAR FINANCIAL PLAN**  
**2015-2016-2017**

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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 2015, 2016 and 2017.

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 (2016 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 an 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 thirteenth 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 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 help 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 (2016).

**THE PLAN OUTLINE**

The three-year financial plan includes the City Council adopted budget for 2015 as well as projections for 2016 and 2017. Only the city's general fund is included in the plan. Actual 2014 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 upon which current revenue and expenditure estimates contained in the plan are based.

Where applicable, assumptions contained within the 10-year general fund pro forma produced for the 2015 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 2015 budget document and pro forma were developed.

Assistance was received from departments that received general fund moneys in 2015 in estimating the effect of the expenditures of the recently adopted 2015 budget on the 2016 and 2017 projections herein.

Expenditures assumptions outlined on Table 5 include 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 2016 and 2017 projections, reflecting the city's goal of building the ESF to \$75 million. Deposits totaling \$2.2 million are projected in both years.

To replenish the anticipated expenditure fund for the next occurrence of a 27<sup>th</sup> pay period, transfers from the general fund of \$2.32 million and \$2.39 million are projected in 2016 and 2017, respectively.

<b>TABLE 2 – REVENUES</b>
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Table 2 includes actual revenues for 2014, and estimates developed by the Finance and Management Department for 2015, 2016 and 2017.

The 2015 Finance and Management Department revenue estimate exceeds the City Auditor’s current official estimate by a total of \$1.3 million, reflecting a higher estimate in “charges for service.” Finance and Management’s 2015 estimate serves as the basis for the 2016 and 2017 revenue projections. These projections total \$798.8 million in 2016 and \$823.7 million in 2017.

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 77 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 income tax estimate for 2015 is \$596.5 million. A growth rate of 3.5 percent is used for the income tax in both 2016 and 2017 for purposes of this plan.

**Property Tax** – The property tax is the second largest revenue source to the general fund. Approximately 5.6 percent of general fund revenues come from the property tax. The City Auditor currently estimates an increase of 4.0 percent in real and other property tax receipts in 2015. Smaller increases are assumed in 2016 and 2017 with projections of 1.0% and .5%, respectively.

**Local Government Funds** – This is the city’s third largest revenue source, comprising approximately 2.8 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). Since that time, local government fund revenue growth has levelled off. Local government funds are projected to increase by 2.4% in 2015 and 2.0% in both 2016 and 2017.

**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 2015 is estimated at \$6.7 million. These revenues are assumed to grow by 3.0 percent in both 2016 and 2017, totaling \$6.9 million and \$7.2 million, respectively.

**Total Revenues** – Details on the city’s other revenue sources are outlined in Table 5. Total revenues are projected to increase by 3.2 percent in 2016 and 3.1 percent in 2017.

<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 2016; 35 recruits in June and December.
  - 2 police classes in 2017; 35 recruits in June and December.
    - Assumes 70 uniformed retirements in both years.
  
- Fire
  - 1 fire class in 2016; 40 recruits in June.
  - 1 fire class in 2017; 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 5 percent in 2016 and 2017.
  
- 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 CWA, FOP-OLC, 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, CWA, FOP-OLC, 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 decrease by .75 percent in 2015 and 2016, and the contract will be renegotiated at the end of 2017. The IAFF pick-up was reduced to zero in October 2014. 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 2015, \$2.15 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 2016 and 2017 assume the emergency human services fund will continue to fund some portion of social service contracts.
  
- In 2014, \$4 million was budgeted in the general fund to purchase replacement vehicles. In 2015 however, no such funds were budgeted; rather vehicle replacement moneys were budgeted in the special income tax fund (SIT). It is

assumed for purposes of this report that this trend will continue into 2016 and 2017 and as such, no projections are included herein for this purpose.

- Transfers out of the general fund into the economic stabilization fund will total \$2.2 million in 2015, 2016 and 2017. Similarly, transfers from the general fund to the anticipated expenditure (or 27<sup>th</sup> pay period) fund will total \$2.25 million in 2015, \$2.32 million in 2016 and \$2.39 million in 2017.
- 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 2014	Budget 2015	Estimate 2016	Estimate 2017
Personnel	\$ 481.74	\$ 495.48	\$ 518.66	\$ 531.11
Citywide Transfers <sup>1</sup>	1.81	1.87	1.92	1.98
Other Capital (Fleet Only)	-	-	-	-
All other Non-Personnel	<u>40.41</u>	<u>47.89</u>	<u>45.14</u>	<u>46.65</u>
<b>Grand Total Safety Department</b>	<b><u>\$ 523.96</u></b>	<b><u>\$ 545.25</u></b>	<b><u>\$ 565.73</u></b>	<b><u>\$ 579.74</u></b>
<b>Grand Total All Departments</b>	<b><u>\$ 780.04</u></b>	<b><u>\$ 813.90</u></b>	<b><u>\$ 835.44</u></b>	<b><u>\$ 858.62</u></b>
<b>Safety % of Total</b>	67.17%	66.99%	67.72%	67.52%

<sup>(1)</sup> In 2014, safety comprised 83% of total general fund personnel costs. It is therefore assumed that 83% of the deposit to the anticipated expenditure fund will be used for safety personnel costs.

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

Table 4 outlines the proposals to eliminate the gaps between current revenues and projected expenditures. In 2016 and 2017, 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 2016 and eventually 2017.

**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 2017.

The gap between current revenues and current expenditures can be seen in this table. The 2015 gap is eliminated by the large carryover from 2014. The 2016 and 2017 gaps will be eliminated through increased revenues, reduced expenditures or some combination thereof.

**THE FINANCIAL PLAN 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 2016 budget, \$22.8 million in some combination of additional revenues and/or expenditure reductions will be necessary. Likewise, to balance in 2017, \$26.9 million in adjustments are needed. Funding for “new-needs” totaling \$4.0 million and \$3.8 million are included in 2016 and 2017, respectively.

**CITY OF COLUMBUS  
2015-2016-2017 FINANCIAL PLAN**

CITY OF COLUMBUS

April 2015

**TABLE 1  
GENERAL FUND - PLAN SUMMARY  
THREE-YEAR FINANCIAL PLAN  
2015-2016-2017  
(in millions of \$)**

	Year #	1	2	3
	Actual 2014	Budget 2015	Estimate 2016	Estimate 2017
<b>TOTAL CURRENT REVENUE</b>	\$753.95	\$774.26	\$ 798.80	\$ 823.69
<b>CURRENT EXPENDITURES</b>				
Personnel	583.25	646.48	675.09	692.16
Materials, Services, Transfers and All Other	187.07	162.97	151.85	158.12
Deposits (includes repayments to ESF and deposits to anticipated exp. fund)	9.72	4.45	4.52	4.59
<b>TOTAL CURRENT EXPENDITURES</b>	780.04	813.90	831.46	854.87
<b>GAP (DIFFERENCE REVENUE/EXPENDITURES)</b>	<b>(26.09)</b>	<b>(39.64)</b>	<b>(32.66)</b>	<b>(31.17)</b>
New Needs	-	-	3.98	3.76
Miscellaneous	-	-	-	-
<b>GAP TO BE CLOSED</b>	<b>(26.09)</b>	<b>(39.64)</b>	<b>(36.64)</b>	<b>(34.93)</b>
<b>PROPOSALS TO ELIMINATE THE GAP</b>				
Encumbrance Cancellations	3.44	2.27	3.00	3.00
Unencumbered Balance	44.46	29.17	1.30	-
Other Transfers	7.37	9.49	9.52	5.02
Additional Revenue/Expenditure Changes Needed to Balance	-	-	22.82	26.91
<b>TOTAL PROPOSALS TO ELIMINATE THE GAP</b>	55.26	40.94	36.64	34.93
<b>REMAINING GAP TO BE CLOSED ( - ) / BALANCE ( + )</b>	<b>\$ 29.17</b>	<b>\$ 1.30</b>	<b>\$ -</b>	<b>\$ -</b>



**CITY OF COLUMBUS  
2015-2016-2017 FINANCIAL PLAN**

CITY OF COLUMBUS

April 2015

**TABLE 2  
GENERAL FUND - CURRENT REVENUES  
THREE-YEAR FINANCIAL PLAN  
2015-2016-2017  
(in millions of \$)**

	Year #	1	1	2	3
	Actual 2014	Estimate 2015	Estimate 2015	Estimate 2016	Estimate 2017
Revenue Estimate Source:	Actual	Auditor Est	Finance & Mgmt.	Finance & Mgmt.	Finance & Mgmt.
<b>CURRENT REVENUE</b>					
Income Tax	\$ 578.65	\$ 596.50	\$ 596.50	\$ 617.38	\$ 638.99
Property Tax	42.15	43.84	43.84	44.31	44.54
Casino Tax	6.23	6.74	6.74	6.94	7.15
KWH Tax	1.58	3.10	3.10	3.10	3.10
Hotel/Motel Tax	-	-	-	-	-
<b>Total Taxes and Assessments</b>	<b>628.60</b>	<b>650.18</b>	<b>650.18</b>	<b>671.73</b>	<b>693.77</b>
Local Government Fund	21.17	21.68	21.68	22.11	22.55
Estate Tax	0.74	0.10	0.10	-	-
Liquor Permit Fund, Cigarette Tax, Other	1.27	1.23	1.23	1.25	1.27
<b>Total Shared Revenues</b>	<b>23.18</b>	<b>23.01</b>	<b>23.01</b>	<b>23.36</b>	<b>23.82</b>
License and Permit Fees	11.61	11.26	11.26	11.48	11.71
Fines and Penalties	18.98	19.98	19.98	20.38	20.79
Investment Earnings	3.67	5.55	5.55	5.66	5.77
Charges for Services	60.59	61.48	62.78	64.38	66.02
All Other Revenue	7.31	1.51	1.51	1.80	1.80
<b>Total Other Revenue</b>	<b>102.16</b>	<b>99.77</b>	<b>101.07</b>	<b>103.70</b>	<b>106.09</b>
<b>TOTAL CURRENT REVENUE</b>	<b>\$ 753.95</b>	<b>\$ 772.96</b>	<b>\$ 774.26</b>	<b>\$ 798.80</b>	<b>\$ 823.69</b>

CITY OF COLUMBUS

April 2015

**TABLE 3  
GENERAL FUND - CURRENT EXPENDITURES  
THREE-YEAR FINANCIAL PLAN  
2015-2016-2017  
(in millions of \$)**

	Year #	1	2	3
	Actual 2014	Budget 2015	Estimate 2016	Estimate 2017
<b>CURRENT EXPENDITURES</b>				
<b><u>Personnel:</u></b>				
Salaries	\$ 392.23	\$ 435.85	\$ 456.76	\$ 468.47
Insurance	88.01	99.21	106.36	111.27
Benefits	103.01	111.42	113.96	114.29
Total Personnel	\$ 583.25	\$ 646.48	\$ 677.08	\$ 694.03
<b><u>Non-Personnel:</u></b>				
Technology	15.56	17.20	18.73	19.30
Fleet Maintenance	23.40	25.79	24.93	26.38
Other Capital	4.18	0.01	0.09	0.04
Materials & Supplies	8.68	11.27	12.08	12.08
Services	59.33	76.53	76.84	78.33
Other	10.26	0.96	0.98	1.00
Transfers <sup>1</sup>	65.66	31.22	20.19	22.87
Total Non-Personnel	\$ 187.07	\$ 162.97	\$ 153.84	\$ 160.00
<b><u>Deposits:</u></b>				
Economic Stabilization Fund	7.60	2.20	2.20	2.20
Anticipated Expenditure Fund	2.12	2.25	2.32	2.39
Total Deposits	9.72	4.45	4.52	4.59
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<b>TOTAL CURRENT EXPENDITURES</b>	<b>\$ 780.04</b>	<b>\$ 813.90</b>	<b>\$ 835.44</b>	<b>\$ 858.62</b>

<sup>(1)</sup> Transfers primarily reflect items budgeted in the citywide account that are later expensed elsewhere (e.g., 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.

CITY OF COLUMBUS

April 2015

**TABLE 4  
GENERAL FUND - PROPOSALS TO ELIMINATE THE GAP  
THREE-YEAR FINANCIAL PLAN  
2015-2016-2017  
(in millions of \$)**

	Year #	1	2	3
	Actual 2014	Budget 2015	Estimate 2016	Estimate 2017
<b>PROPOSALS TO ELIMINATE THE GAP</b>				
Encumbrance Cancellations	\$ 3.44	\$ 2.27	\$ 3.00	\$ 3.00
Unencumbered Balance	44.46	29.17	-	-
Additional revenue or Expenditure Changes Needed to Balance	-	-	-	-
Transfers from Economic Stabilization Fund	-	-	-	-
Transfer from Basic City Services Fund	5.00	5.71	5.16	-
Other Transfers	2.37	3.78	4.36	5.02
Expenditure Reductions to Balance Original Budget	-	-	-	-
<b>TOTAL PROPOSALS TO ELIMINATE THE GAP</b>	<b>\$ 55.26</b>	<b>\$ 40.94</b>	<b>\$ 12.52</b>	<b>\$ 8.02</b>

**CITY OF COLUMBUS**  
**2015-2016-2017 FINANCIAL PLAN**

CITY OF COLUMBUS

April 2015

**TABLE 5**  
**GENERAL FUND - ASSUMPTIONS**  
**THREE-YEAR FINANCIAL PLAN**  
**2015-2016-2017**

<u>REVENUES</u>		<u>2016</u>	<u>2017</u>
1	Income Tax                      Expert Judgment	3.50%	3.50%
2	Property Tax                    Expert Judgment	1.07%	0.51%
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	1.61%	1.61%
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	2.00%	2.00%
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              Average	\$1,804,875	\$1,804,875

**EXPENDITURES**

- 1 **Inflationary increases** totaling 2% per year for 2016 and 2017 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 **Employee Bonding** is included in the 2016 Auditor's Office figures at \$150,000; occurs once every 3 years
- 4 In Health, Council amendments for **Infant Mortality initiative** are incorporated into 2016 and 2017 figures for staff and contracts.
- 5 **Film Commission** (Fin Director) is budgeted for 2% increase in 2016 & 2017.
- 6 **Citywide memberships** increase by 2% each year
- 7 **Public Defender** increase in 2016 based on potential 2015 reconciliation payment due related to salary adjustments at Franklin County. 2017 figure increases 2%.
- 8 **Safety recruit classes, separations, other**  
**Police:**  
 2 recruit classes are projected in 2016 - class of 35 recruits in June and December.  
 2 recruit classes are projected in 2017 - class of 35 recruits in June and December.  
 70 separations are projected in 2016.  
 70 separations are projected in 2017.  
 Sworn overtime costs are projected to total \$9.8 mil. in 2016 and \$10.1 mil. in 2017  
 Wage increases for sworn police personnel are projected at 3.25% effective Dec '15, 3.25% Dec '16 and 3% Dec '17;  
 pension pick-up is projected at 2.25% effective Dec'15 and 1.5% effective Dec'16.

CITY OF COLUMBUS

April 2015

**TABLE 5 (continued)  
GENERAL FUND - ASSUMPTIONS  
THREE-YEAR FINANCIAL PLAN  
2015-2016-2017**

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**EXPENDITURES (continued)**

**8 Fire:**

**con't.** 1 recruit class is projected in 2016 - class of 40 recruits in June.

1 recruit class is projected in 2017 - class of 40 recruits in June.

40 separations are projected in 2016.

40 separations are projected in 2017.

Sworn overtime costs are projected to total \$6.86 mil. in 2016 and \$7.03 mil. in 2017.

Projected wage increases for uniformed personnel are at 2.5% in Nov'16 and 2.5% in Nov'17; pension pick-up is projected at 0% in '16 and 0% in '17.

**9 Police and Fire termination pay** for sworn personnel is paid out of the general fund in 2016 and 2017.

Projected revenue for E-911 funds are \$1.379 mil. in 2016 and \$1.379 mil. in 2017.

**10 Photo Red Light funds** are not projected in the general fund in 2016 or 2017.

**11 Social Service Contracts** are funded by both the general and emergency human services (EHS) funds in 2015, with \$2.85 mil. in general fund and \$2.15 mil. in EHS funds. An inflation factor of 2% is applied for 2016 and 2017.

**12 Additional funds** are projected to fund **economic development incentive agreements** in 2015 and 2016.

**13 Technology** costs for 2016 and 2017 are based on that department's financial plan submission for each customer.

**14 Fleet** costs for 2016 and 2017 are based on that department's financial plan submission for each customer.

**15 Legal Settlement** costs of \$2.25 mil. in 2015 and \$1.0 million in 2016 and 2017 are assumed.

**16 Anticipated expenditure fund** deposits total \$2.25 mil. in 2015, \$2.32 mil. in 2016 and \$2.39 mil. in 2017.

**17 Health insurance** costs are inflated by 5% in both 2016 and 2017.

**18 A worker's compensation** rate of 3.5% was used in 2015, and 3.0% in 2016 and 2017.

**19 Economic stabilization fund** deposits will total \$2.2 mil. in 2015, 2016 and 2017.

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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.