



City of Monroe, Ohio

May 25, 2021

2022 Tax Budget Financial Analysis

The tax budget is the first step in the City of Monroe's annual budget process. Ohio Revised Code §5705.28 requires the City to adopt a tax budget for the next fiscal year on or before July 15th of the current year and submit the budget to the County Auditor no later than July 20th. The tax budget then becomes the basis for the more precise estimate of revenues and expenditures included in the City's 2022 annual budget.

The tax budget is the City's first estimate of its anticipated financial resources and needs for the next fiscal year. The primary purpose of the tax budget is to demonstrate the City's need to levy property taxes and to collect local government funding. Accordingly, detailed information is provided in the tax budget for those funds that receive property tax revenue, while only general information is provided for the other funds.

The County Budget Commission reviews the tax budget to ensure that the amounts budgeted by local communities, specifically for those funds that receive property taxes, have adequate projected revenues. Once the Budget Commission reviews and approves the City's tax budget, they will compute and certify property tax rates for the next fiscal year to City Council for adoption.

General Fund

“Monroe’s Checkbook”

This fund serves as the primary fund of the City of Monroe. Revenues from general levies and other general sources are used to finance the daily and long-term operations of the City’s government as a whole.

01

Revenues have steadily risen with an average annual increase of five percent.

02

Expenditures have steadily increased with an average annual increase of seven percent.

03

Cash balance has fluctuated significantly over the last ten years.

Revenue Analysis

In the General Fund, revenues have steadily risen over the last ten years, showing an average annual increase of approximately five percent (5%). This increase is primarily related to the General Fund’s two largest sources of revenue: local municipal and property tax collections.

10 Years of History

Comparing 2011 to 2020, the City collected approximately \$6.0 million more during 2020. The majority of this increase was due to rising property values and growing individual and net profit income.

Revenue Collection - 2011 to 2020



As demonstrated in the graph above, the General Fund collected peak levels of revenue during 2020, and it collected the least during 2011. The graph demonstrates a fairly steady growth with predictable decreases after years of high collections.

Revenue Categories

Revenue within the General Fund is primarily composed of municipal income tax and property tax. For the 2022 tax budget, the City anticipates

receiving approximately 78.8% of its general revenue from income taxes and 5.7% from property taxes. The remaining 12.5% of General Fund revenue is a mixture of other local taxes, JEDD income, grants, fines and forfeitures, licenses and permits, interest, and other financing sources.

Tax Budget Assumptions

The tax budget prepared for fiscal year ending December 31, 2022 projects approximately a 5.1% increase in total revenue from the current fiscal year’s budget. This change is primarily due to the global impact of COVID-19 during fiscal year 2020.

Because the General Fund’s primary revenue sources are collected in arrears, the City anticipates receiving less than they might originally anticipate in fiscal year 2021. However, with changing circumstances like increased availability of vaccines and increased inflows of federal and State financial assistance, the City believes it will start to see normal revenue trends in fiscal year 2022. Of course, the City does not know the final impact of this pandemic, but budget estimates continue to be adjusted periodically as more data becomes available.

We expect slight growth in revenue received from the Joint Economic Development District (JEDD), but we budgeted similar projections to FY 2020 for building permit revenue.

Expenditure Analysis

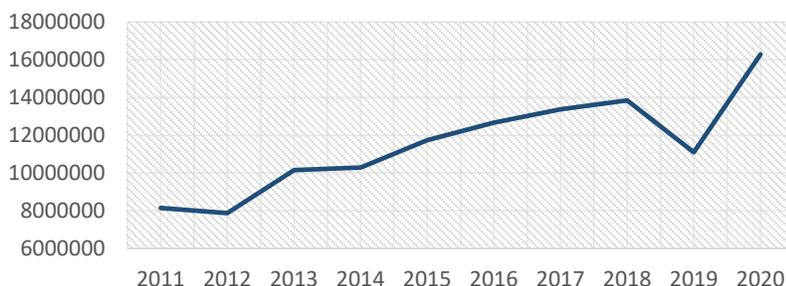
In the General Fund, expenditures have steadily risen over the last ten years, showing an average annual increase of approximately seven percent (7%). In 2012, City Council began using some of the cash they had been preserving in prior years to fund necessary, outstanding capital improvement projects.

10 Years of History

In FY 2011, the City spent approximately \$8 million, whereas in FY 2020, the City spent approximately \$16 million. The majority of this increase was used to subsidize other funds: Street, Fire & EMS Levy, Police Law Enforcement, Park Improvement, Capital Improvement, and the G.O. Bond Retirement Funds. Additionally, the “cost” of municipal income tax refunds has increased substantially since 2018, related to the new homeowner credit. In 2020 alone, we issued over \$1.2 million in income tax refunds.



Expenses Paid - 2011 to 2020



As demonstrated in the graph above, the General Fund's expenditures were highest during 2020, while lowest levels occurred during 2012. Though the graph demonstrates a fairly steady growth of expenditures in the last six years, City Council has been very intentional about using its money to best serve City residents.

Expenditure Categories

Expenditures within the General Fund are primarily focused on public safety services and general government operations. For the 2022 tax budget, the City anticipates spending approximately 41% of its general revenue on public safety and 32% on general government. The remaining 27% of General Fund expenditures will be used for parks and recreation, cemeteries, stormwater, and capital improvements.



Tax Budget Assumptions

The tax budget prepared for fiscal year ending December 31, 2022 projects around a two percent (2%) increase in total expenditures, which approximates a three-year average of the Consumer Price Index (CPI) published by the Bureau of Labor Statistics.

Per its Fund Balance policy approved in FY 2020, City Council intends to leave an ending cash balance of approximately 33% of expenditures of the General Fund. This allows the City to cover any unexpected expenses that come up during the year, as well as fund standard operations for a 3-month emergency period in which no additional revenues are received.

As we move into the annual budget discussions, Council and City management will discuss outstanding capital improvement projects, the Teamsters union negotiations, and various personnel needs in establishing spending priorities.

Over the last several years, the City has prioritized funding capital improvement projects to improve City services and the quality of life for its residents. Within the next few months as part of the 2022 annual budget process, City Council will discuss its financial goals for the future and what role the General Fund will have.

Major Capital Improvement Projects Funded (2011 – 2020)

Parks (Baker, Bicentennial Commons, Community, Crossings, Rosemont)

Infrastructure Repair & Replacement (streets, sidewalks, water mains, storm sewers, etc)

Information Technology (software, servers, security system, etc)

Fire & EMS Tools and Equipment

Weather Sirens

Fleet Replacement

Facility Upgrades & Land Purchase (Administration Building, 980 Holman, Fire Department buildings, Former IGA property)

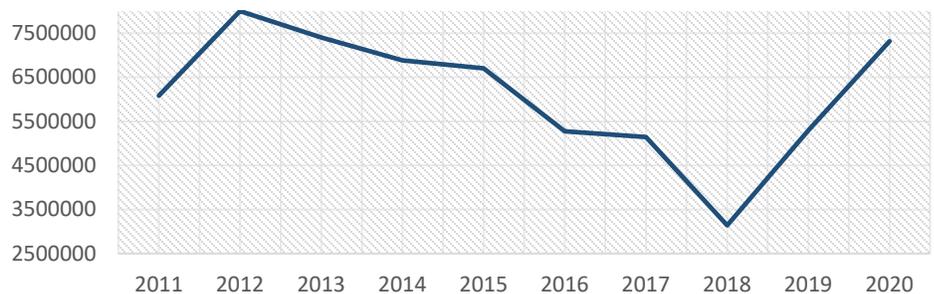
Renovation & Construction of New Police Facility

Cash Balance Analysis

The cash balance of the General Fund increased from 2011 to 2012, then decreased from 2012 to 2018. The cash balance increased again in 2019 and 2020. As mentioned in the expenditures section above, the City allocated additional resources to fund outstanding capital improvement projects over the last several years. In 2019 and 2020, several budgeted projects were unable to be completed, so these projects were pushed to fiscal years 2020 and 2021. Additionally, the City was awarded federal grant monies related to COVID-19 in 2020 that enabled the City to cover certain pandemic-related costs without overly depleting current reserves.

In 2011, the City had \$6.1 million at year-end in its General Fund. At the end of 2020, the General Fund had \$7.3 million.

Cash Balance - 2011 to 2020



As demonstrated in the graph above, the General Fund held its largest cash balance during 2012. Of the ten years analyzed, cash balances were the lowest in 2018. The City has successfully allocated its reserved resources to growing and maintaining government assets, such as roads, public facilities, and parks.

