



City of Cincinnati Retirement System Board of Trustees Meeting

Agenda

May 2, 2024 / 2:00 P.M.

City Hall, Council Chambers and via Zoom

Members

Bill Moller, Chair
Tom Gamel, Vice Chair
Kathy Rahtz
Mark Menkhaus, Jr.
Monica Morton
John Juech
Tom West
Seth Walsh
Aliya Riddle

CRS Staff

Jon Salstrom

Law

Linda Smith

Call to Order

Public Comment

Approval of Minutes

✚ April 4, 2024

Report from Investment Committee

Informational – Staff Report

- ✚ Marquette Investment Report
- ✚ Staff Update on Open Positions
- ✚ Healthcare Funding Policy
- ✚ 115 Subcommittee update
- ✚ Futures Commissions Update
- ✚ Actuarial RFP Update

Old Business

- ✚ Survivor Benefits Ordinance
- ✚ Term Limits Ordinance
- ✚ Annual Funding Letter to CMO, Mayor & Council
- ✚ Funston Letter to CMO, Mayor & Council

New Business

- ✚ Cheiron Valuation Report and Presentation

Adjournment

Next Meeting: Thursday, June 6, 2024, 2:00 P.M. City Hall Council Chambers and via Zoom

**City of Cincinnati Retirement System
Board of Trustees Meeting Minutes
April 4, 2024 / 2:00 P.M.
City Hall – Council Chambers and remote**

Board Members

Bill Moller, Chair
Tom Gamel, Co-Chair
Kathy Rahtz
Mark Menkhaus Jr.
Monica Morton
John Juech
Tom West
Seth Walsh
Aliya Riddle

Administration

Jon Salstrom

Law

Linda Smith

CALL TO ORDER

Chair Moller called the meeting to order at 2:02 p.m. and a roll call of attendance was taken. Trustees Moller, Gamel, Rahtz, Menkhaus, Juech, West, Walsh and Riddle were present. Trustee Morton was absent.

PUBLIC COMMENT

No public comment.

APPROVAL OF MINUTES

Approval of the minutes of the Board meeting of March 7, 2024, was moved by Trustee Gamel and seconded by Trustee Juech. The minutes were approved by unanimous roll call vote.

Report from Governance Committee

Trustee Menkhaus explained that the Governance Committee briefly discussed some of Funston's recommendations for governance including revision of the governance manual. The Committee discussed a strategy on how it will approach that so it can consider revisions.

Report from Elections Committee

Trustee Juech explained that the Committee discussed the upcoming elections and processes and procedures, especially timelines around that. A special meeting will be scheduled in June or July to discuss an updated roster of committee members and more definitive terms. He confirmed his

term ending on July 1, 2024. Chair Moller motioned to approve the calendar and Trustee Gamel seconded. The motion was approved by unanimous roll call vote.

Informational – Staff Report

Marquette Investment Report

Chair Moller referenced the Investment Report that is included in the packet. Year-to-date total fund is up 1.4%, which is slightly below the benchmark. The one-year is in good shape. We are up 11% from the benchmark versus 10.6% from last year.

Staff Update on Open Positions

Director Salstrom reported that interviews have started for the Member Counselor position. He will continue to work toward filling the Administrative Technician, IT, and Accountant positions.

Healthcare Funding Policy & Subcommittee Update

Director Salstrom explained that the Healthcare Funding Policy has been approved. He will include this in the packet for next month and post it on the CRS website. Chair Moller confirmed with Director Salstrom that members impacted will be contacted soon.

115 Subcommittee Update

Chair Moller explained that the Law Department expressed a concern regarding the fiduciary responsibility of the 115 trust investments. Director Salstrom said that there is no further update from outside counsel or from internal legal.

Futures Commissions Update

Director Salstrom explained that there is no update at this time. Trustee Walsh explained that the report is imminent and likely to come out soon.

Actuarial & Healthcare RFP Update

Director Salstrom explained that the Healthcare RFP bids were rejected. Felt that scope of scale was lost and did not include pharmacy Medicare Advantage and Part D for retirees. CRS will re-issue the bid next year when it can include the pre-65 as well as Medicare advantage, and pharmacy as well as Part D for those that are on Medicare. The bid for dental will go back out in a few weeks because the contract is up at the end of the year.

Director Salstrom explained that CRS has received 7 bids for the Actuarial RFP. He is in the process of reviewing those and looking for scoring in the next few weeks. He will then bring those scores to the Evaluation Committee to discuss.

Old Business

Survivor Benefits

Linda Smith, from the Law Department, explained that this is not finalized but is very hopeful it will be finalized by the next meeting.

Term Limits Ordinance

Chair Moller referenced the draft form of the ordinance that is included in the packet. Trustee Gamel motioned to approve the Ordinance and send it on to City Council and second by Trustee

Rahtz. Trustee Walsh commented on his opposition to the ordinance and as a member of Council, he will present it fairly to City Council. If there are objections from Council, he will move to hold the objections so the CRS Board can work with Council to correct it. The motion was approved by a 7-1 vote.

New Business

Annual Funding Letter to CMO

Chair Moller referenced the draft letter included in the packet and explained that last year, CRS asked Cheiron if CRS was to do an incremental funding approach to increase the employer contribution over a period of time, and what would the annual increase have to be to have full funding by 2045. Last year's initial increase was 1.5% and is now 1.1% and increases over time to about 41%. If the City's contribution remained at 17%, then the pension will be funded at 41% by 2045, which is a concern. From a fiduciary perspective, the Board wants the employer contribution to increase. Chair Moller motioned to approve sending the Annual Funding letter to the City Manager and at the appropriate time, send it to the Mayor and City Council. The motion was seconded by Trustee Gamel and approved by unanimous roll call vote.

Foster and Foster DROP Report

Chair Moller explained that Foster and Foster was asked to determine if the DROP program was cost neutral from a theoretical perspective. The CSA required a cost neutral DROP program. CRS had a report from Cheiron from 2020 that says that the DROP program was not cost neutral. There was an increase liability in about \$11 million and what is included in the packet is a new report from Foster and Foster that takes into consideration what has actually happened, and that liability has gone up. Trustee Gamel motioned to accept the report and seconded by Trustee Menkhaus. The motion was approved by unanimous roll call vote.

Review 2024 Funston Performance Audit Report & Recommendations

Chair Moller motioned to formally send this report & recommendations to the City Manager, Mayor, and City Council from the Board, including a cover memo explaining why the Board did it and its general conclusions. Trustee Gamel seconded the motion, and it was approved by unanimous roll call vote.

Chair Moller referenced and briefly explained the summary of recommendations in the packet with the Board, welcoming suggestions, concerns, and/or explanations for each item. He suggested the recommendations under the Governance Framework be delegated to the Governance Committee, and Investment Programs and Operations be assigned to the Investment Committee. The rest of the recommendations are Board-related or need to be discussed further. The Performance Evaluation Committee will keep track of the progress being made on these items.

Adjournment

Following a motion to adjourn by Trustee Rahtz and seconded by Trustee Menkhaus. The Board approved the motion by unanimous roll call vote. The meeting was adjourned at 3:03 p.m.

Meeting video link: <https://archive.org/details/crs-board-4-4-24>

Next Meeting: Thursday, May 2, 2024, at 2:00 p.m. – City Hall Council Chambers and via Zoom

Secretary

DRAFT



Cincinnati Retirement System

City of Cincinnati
Retirement System
Executive Summary

March 31, 2024

Summary of Cash Flows

	Last Month
Beginning Market Value	\$2,295,695,924
Net Cash Flow	-\$15,414,633
Net Investment Change	\$37,877,856
Ending Market Value	\$2,318,159,148

Market Value

	Market Value (\$)	% of Portfolio	Policy %	Policy Difference (\$)
Total Fund Composite	2,318,159,148	100.0	100.0	0
Fixed Income Composite	494,283,911	21.3	22.5	-27,301,897
Private Debt Composite	46,093,009	2.0	6.5	-104,587,335
U.S. Equity Composite	665,291,131	28.7	28.5	4,615,774
Non-U.S. Equity Composite	373,180,456	16.1	16.0	2,274,992
Volatility Risk Premium Composite	58,857,554	2.5	2.5	903,575
Real Estate Composite	160,311,891	6.9	6.0	21,222,342
Infrastructure Composite	244,557,172	10.5	10.0	12,741,257
Private Equity Composite	260,451,978	11.2	8.0	74,999,246
Total Cash Equivalents	15,132,045	0.7	--	15,132,045

Performance

	1 Mo	3 Mo	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception	Inception Date
Total Fund Composite	1.6%	3.1%	11.2%	5.1%	8.1%	7.0%	8.8%	May-85
Target Benchmark	1.8%	3.4%	10.8%	4.3%	8.0%	7.2%	--	May-85
Fixed Income Composite	1.0%	-0.2%	3.1%	-1.4%	1.8%	2.5%	5.0%	Nov-95
Bloomberg US Aggregate TR	0.9%	-0.8%	1.7%	-2.5%	0.4%	1.5%	4.2%	Nov-95
Private Debt Composite	0.0%	0.6%	7.9%	8.6%	--	--	3.4%	Sep-20
Bloomberg US Aggregate TR	0.9%	-0.8%	1.7%	-2.5%	0.4%	1.5%	-2.9%	Sep-20
Bloomberg US High Yield TR	1.2%	1.5%	11.2%	2.2%	4.2%	4.4%	4.0%	Sep-20
U.S. Equity Composite	3.5%	9.2%	26.9%	9.0%	13.0%	10.6%	9.7%	Feb-89
Russell 3000	3.2%	10.0%	29.3%	9.8%	14.3%	12.3%	10.8%	Feb-89
Non-U.S. Equity Composite	3.1%	4.5%	13.3%	2.3%	5.7%	4.2%	5.9%	May-93
MSCI ACWI ex USA	3.1%	4.7%	13.3%	1.9%	6.0%	4.3%	--	May-93
Volatility Risk Premium Composite	1.7%	4.8%	14.8%	--	--	--	5.5%	Jan-22
CBOE Put Write Index	1.9%	5.0%	12.4%	8.4%	8.2%	6.8%	6.0%	Jan-22
Real Estate Composite	-2.2%	-3.1%	-10.8%	3.3%	3.8%	6.9%	4.9%	Aug-07
NFI-ODCE	-0.9%	-2.6%	-12.0%	2.5%	2.6%	5.8%	3.9%	Aug-07
NPI	0.0%	0.0%	-6.2%	4.0%	4.0%	6.5%	5.6%	Aug-07
Infrastructure Composite	0.4%	-0.4%	7.1%	9.1%	9.0%	7.2%	8.3%	Aug-08
3 Month T-Bill +4%	0.8%	2.3%	9.4%	6.7%	6.0%	5.4%	4.9%	Aug-08
Private Equity Composite	-0.1%	-0.1%	5.7%	8.6%	13.0%	12.0%	8.7%	Jul-93
Burgiss Global All Private Equity	0.0%	0.0%	0.8%	5.9%	14.6%	13.9%	15.2%	Jul-93

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EXHIBIT B

City of Cincinnati Cincinnati Retirement System 115 Trust and Other Post Employment Benefits (“OPEB”) Funding Policy (“Policy”)

Background

In 2015, the City of Cincinnati entered into a settlement agreement (Collaborative Settlement Agreement or “CSA”) to resolve pending litigation related to changes in the retirement benefits provided by the City, including healthcare benefits (also known as “Other Post Employment Benefits” or OPEB). The CSA required that the City continue to provide retiree healthcare benefits (including, but not limited to, Retirees Class Healthcare Benefits and Current Employees Class Retirement Health Benefits, as defined in the CSA) for certain City retirees and their eligible surviving spouses, dependent children, and orphans through the expiration of the CSA in 2045. The CSA specified varying eligibility and cost participation by retirees. (CSA paras. 23-24). The City implemented these provisions through amendments to CMC 203-42 through 203-44, and by creating a separate trust fund for the purposes of contributing to, investing, and funding the health benefits of these certain retirees of the City and their eligible surviving spouses, dependent children, and orphans (“115 Trust Fund”) (Ordinance 381-2015).

CSA paragraph 26 required the City to develop a funding policy for the 115 Trust Fund “that will satisfy all consent decree requirements including but not limited to the City’s obligation to fully fund the 115 Trust at actuarially appropriate levels for the term of this Agreement.” (CSA, para. 26; CMC 203-93(c)). Accordingly, this Policy is intended to implement the CSA and CMC and ensure that the 115 Trust is funded at actuarially appropriate levels at least through December 31, 2045. It does not supersede or amend the terms of the CSA.

Actuarial Evaluation: Valuation, Experience Study and Audit

Consistent with the City ordinances that require the regular application of sound actuarial analysis to the administration of pension and CRS OPEB trust benefits, this Policy requires that an actuarial valuation of CRS OPEB benefits and the 115 Trust will continue to be conducted annually. Additionally, an actuarial experience analysis will be conducted at least once every five years. (Admin. Code. XV sec. 9). Finally, an actuarial audit (i.e., a third-party audit of the work of the 115 Trust Fund’s actuary), with full replication of data and results, will be conducted once every 10 years (but not prior to the finalization of a second five-year actuarial experience analysis by the 115 Trust’s actuary within a 10-year period) by an actuary who had no role in the conduct of any actuarial valuation or experience studies during the 10-year period prior to the audit.

The annual actuarial valuation of the 115 Trust Fund will compute the actuarial liability, the actuarial value of assets, the unfunded actuarial liability, the funded ratio, the normal cost, and the actuarially determined employer contribution (“ADEC”). The terms in the preceding sentence shall have the same meaning as in the annual CRS OPEB actuary valuation report.

Actuarial Assumptions

Notwithstanding the provisions of the CSA and CMC, for purposes of calculating the ADEC for the 115 Trust and conservatively managing the 115 Trust, the actuarial assumptions include the following assumptions, which are subject to review every five years following the effective date of this Policy:

Assumed Investment Earnings Rate:	7.50%
Amortization period of any unfunded liability:	30 years
Amortization method:	Level dollar
Value of 115 Trust Assets:	Actuarial value

(Note: the above assumptions do not constitute an exhaustive list of assumptions on which the 115 Trust’s actuary, in exercising its professional judgment, may rely in providing actuarial services.)

Funding Triggers

The City recognizes its obligation to ensure 100% funding of health care benefits (including, but not limited to, Retirees Class Healthcare Benefits and Current Employees Class Retirement Health Benefits, as defined in the CSA) for eligible retired members of the CRS as provided in the CSA (including, but not limited to, Retirees Class members, Current Employees Class members, and their eligible surviving spouses, dependent children, and orphans) through the expiration of the CSA in 2045.

Upon a determination by the actuary in an annual OPEB valuation that the 115 Trust is funded at a level of **90% or less**, the City will begin to contribute the normal cost of the OPEB benefits *or* 2% of Covered Payroll, whichever is less, in the fiscal year that begins two years following the date of the OPEB valuation. Example: if the CY2024 OPEB valuation reflects that the 115 Trust is 89% funded, the City will contribute the OPEB normal cost rate in the FY2026 budget.

Upon a determination by the actuary in an annual OPEB valuation that the 115 Trust is funded at a level of **80% or less**, the City will begin to contribute the normal cost of the OPEB benefits *or* 2.5% of Covered Payroll, whichever is less, in the fiscal year that begins at two years following the date of the OPEB valuation.

The City may cease contributions to the 115 Trust following two consecutive years of funding levels at or above 100%, as certified by the actuary in the annual OPEB valuations, subject to re-starting contributions under the provisions of the previous two paragraphs. For the avoidance of

doubt, if either or both of the funding obligations in the previous two paragraphs have been triggered, the City must continue to make the contributions to the 115 Trust required by the preceding two paragraphs until there have been two consecutive years of funding levels at or above 100% as certified by the actuary in the annual OPEB valuations.

Good Faith Implementation

The City will implement this Policy in good faith. Nothing in this Policy shall be construed to prohibit City Council from appropriating funds into the 115 Trust Fund when conditions precedent for the funding triggers do not exist.

Effective Date

This Policy takes effect upon the date of adoption by the City Manager, with consent from the Mayor and City Council of the City of Cincinnati. The City anticipates an effective date of no later than April 30, 2024.

Review

Acceptable and appropriate actuarial assumptions, methods and practices vary over time, as do economic conditions and investment markets. Any funding policy should be regularly evaluated and updated to determine its suitability for the times. Accordingly, this Policy shall be reviewed upon the completion of each decennial audit described on page one of this Policy but in no event sooner than ten years following the effective date of this Policy.



CINCINNATI FUTURES
COMMISSION

A VISION FOR THE FUTURE OF CINCINNATI
FINAL REPORT

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A LETTER FROM JON MOELLER

Dear Mayor Pureval,

On behalf of the Cincinnati Futures Commission, I am pleased to share with you our findings and recommendations. For more than a year, the Commission – which was made up of nearly three dozen business, civic, and community leaders – has poured over data, interviewed hundreds of stakeholders and residents, and thoughtfully debated the best ways to address the City's economic and financial future. I am grateful to everyone who has contributed to this final product.



The Commissioners – and the stakeholders and residents who we engaged – reflected the diversity of our broad community. We engaged in this work with the belief, which was confirmed as we did the work, that whether you live in the City, work in the City, or visit the City on occasion, you have a vested interest in its success. The City of Cincinnati may be a modest percentage of the region's population, but it is a driving force in our overall success. And as such, we engaged with hundreds of leaders from all over the region during this process who are committed to ensuring the City thrives and grows in the future.

This report will recap our processes, offer you a series of bold and achievable goals, and detail a series of recommendations that, if taken in their entirety, will put the City of Cincinnati and our region on a strategic course of equitable economic and population growth and secure the City's fiscal future.

When you and I first met to discuss this effort, you stated clearly that every option should be on the table as the Commission conducted its work. We took that maxim seriously, and it guided our work throughout the last year. We considered dozens of options that would close the City's projected budget deficits, and vetted dozens of ideas that would accelerate the growth of the City's economy, creating jobs, housing, and opportunities for the people who live in our community.

When we started this process, I told the Commissioners that I did not expect each of them to support one hundred percent of the Commission's ultimate recommendations. What we are presenting to you is a

consensus report, not one where each Commissioner supports each and every recommendation. We have endeavored throughout the report to articulate the places where Commissioners disagreed to provide you with context and understanding.

We believe that the recommendations contained within this report are sound, actionable, and will result in a better City for everyone who lives and works here, and for all those who will live and work here someday soon. I also want to make clear that the recommendations detailed in this report are interdependent and must be integrated to achieve the expected results.

The work ahead will be complex and difficult, and while the Cincinnati Futures Commission's work is complete with the delivery of this report, I believe the business and civic community that has been engaged throughout this process is committed not only to support these recommendations but to see them through to completion.

Thank you for the faith you put in us to run a truly independent Commission. We took seriously our responsibility to deliver you a blueprint that can solve many of the City's major challenges and usher in a decade of growth and prosperity in Cincinnati.

JON MOELLER
CINCINNATI FUTURES COMMISSION CHAIR

INTRODUCTION

A VISION FOR THE FUTURE OF CINCINNATI

After more than a year of work, the Cincinnati Futures Commission believes Cincinnati is poised to usher in a decade of economic opportunity. After robust engagement and analysis by experts, the Futures Commission is presenting a set of recommendations that align the City's budget around core operations, structure the City to support growth, and target investments into economic initiatives.

Given headwinds over the past four years, the winding down of COVID-era federal aid, and uncertainty related to the shifting nature of work, many cities are facing the real possibility of cutting back on services and decreasing investments into their communities. The Cincinnati Futures Commission was convened to confront these challenges and orient the City toward growth. The Futures Commission has spent the last year studying the problems, engaging with the community, and working with experts to develop solutions.

The City of Cincinnati – if it implements the recommendations of the Cincinnati Futures Commission – has an opportunity to go on the offensive and solidify a more equitable and vibrant future in these uncertain economic times.

Even as this report presents solutions to the economic and financial challenges that the City must confront immediately, the Futures Commission also recognizes that the City has long-term liabilities that loom large over its budget. The Futures Commission believes that now is the time to take bold action – as the City did when it sold the Cincinnati Southern Railway to address its deferred maintenance backlog – to mitigate the risk the Cincinnati Retirement System (CRS) continues to present. This report will outline steps that we believe the City should take to solve this problem once and for all.

While this report will provide detailed and actionable recommendations to the Mayor, it is guided by a set of key takeaways that were established over the previous year's work. These were the ways we measured our work and created the threads that bind together disparate recommendations, creating a unified report from a sprawling review of the City's finances and its economic ecosystem.

The Commission has aligned its recommendations to help achieve three key goals:



INCREASE POPULATION



GROW JOBS



INCREASE WAGES AND SHRINK WAGE DISPARITIES



THE CITY MUST PERFORM CORE FUNCTIONS WITH EXCELLENCE

Citizens and stakeholders in Cincinnati expect that their government provide basic City services – police, fire, public services, parks, and recreation – with excellence, and they are willing to pay for that excellence. Because jurisdictional diversity in the region gives residents and potential residents a wide array of choices, it is important for the City to achieve a high standard in the services it provides.

THE CITY HAS BEEN PRUDENT WITH ITS RESOURCES OVER THE LAST DECADE BUT WILL NEED TO CONTROL THE GROWTH OF ITS OPERATING BUDGET MOVING FORWARD

The Futures Commission found the City to be largely a well-managed entity, focused generally on the basic services that a city must provide. It determined that the City took appropriate measures during the COVID-19 pandemic and proceeding economic uncertainty to avoid fiscal calamity. To achieve full, structural budget balance over the next 10 years, however, will require a combination of identifying operational efficiencies, accessing new revenue streams, and adopting measures to more closely align the City general fund growth rate with inflation.

CINCINNATI'S GROWTH IS NOT INEVITABLE; IT MUST BE INTENTIONAL

Some of Cincinnati's peer cities are growing at a much faster pace than Cincinnati due to favorable local market conditions that are attracting development, talent, housing, and jobs. While it has momentum and opportunity, Cincinnati policy makers must intentionally act to create favorable conditions for increased growth. Absent these actions, Cincinnati could reverse its gains of the previous decade.

THERE ARE TRUSTED PARTNERS IN CINCINNATI READY TO DRIVE GROWTH

The City should rely on proven partners that have specialized expertise in economic development to accelerate growth. Decades of growing partnerships have converged to create an ecosystem, that with new investments, is ready to stimulate job and population growth.

THE CITY SHOULD BE GUIDED BY GOALS

The City has not traditionally been guided by growth goals. The Futures Commission proposes that the City set and stick to a series of growth goals, and judge new policy, administrative structures, and operational performance based on these goals.

THERE ARE FACTORS OUTSIDE OF THE CITY'S CONTROL THAT COULD LIMIT ITS SUCCESS

The City should work to control all of what it can. However, the City's ability to grow is affected by the performance of the Cincinnati Public Schools system, the policies set by legislators in Columbus and Washington DC, and the willingness of other local governmental entities, including Hamilton County and other independent governmental organizations, to work cohesively with the City. Residents and visitors do not generally make a distinction about what political jurisdiction is responsible for the services they value or have issues with.





A MOMENT OF CONTRAST FOR THE CITY OF CINCINNATI

In August of 2021, the City of Cincinnati learned from the United States Census Bureau that the City had reversed seventy years of population decline. The City's growth rate from the 2010 to 2020 Census was just over 4%, an indicator of modest growth but also a significant reversal of what had been a decades long trend of population loss.

And yet that promising news of growth landed in the middle of a year dominated by the aftereffects of the COVID-19 pandemic and dramatic changes in our society. Cities and their residents faced immeasurable challenges related to job loss, safety, health, equity, and changing economic patterns. Cincinnati was no exception.

The average Cincinnati resident was right to observe and feel the dichotomy that existed over the next few years. The Cincinnati Bengals were headed to the Super Bowl and FC Cincinnati was winning a Supporters' Shield, after all. Thanks to aggressive post-COVID support policies, restaurants were opening and thriving in downtown and in neighborhoods. A local company in Madisonville was adding thousands of jobs and creating community gathering spaces that would bring together neighbors and visitors. The University of Cincinnati was announcing its largest class in history. Some Cincinnati neighborhoods like College Hill and Northside were welcoming dense housing investments and commercial activity that fueled a growing vibrancy in business districts. Arts institutions were thriving by focusing on a wealth of black and brown artistic talent that had come to dominate the City's culture. In 2022, the City's beloved arts and light festival, BLINK, returned to fanfare and provided significant economic impact.



But these outward signs of economic health and optimism masked what were also difficult times for many Cincinnatians. There was not enough housing being built to keep up with demand and it was affected by macroeconomic trends of rising housing costs. In short, housing prices were skyrocketing, pressuring current and would-be Cincinnati residents. Employers were responding to changing workplace trends, and work-from-home policies stressed the City financially, already heavily reliant on the earnings tax. Troubling data relating to schools, crime, and health continued to concern City leaders.

Because of federal government policy decisions, the City appeared to have money to spend, and so the City created and invested in some valuable new programs and efforts, while holding back tens of millions of dollars for a post-COVID economic recession or change in tax receipts.

And finally, a heightened attention to equity following a nationwide racial reckoning in July 2020 created a new imperative for policy goals and a deliberate approach to creating an economy and society that created more opportunity for all.

In some regards, the City of Cincinnati was thriving and outperforming its peers. And yet there were clouds on the horizon. That paradox was how Cincinnati found itself at the beginning of the new decade.

FORMING THE FUTURES COMMISSION

Multiple times in Cincinnati's history, groups of civic and business leaders have come together to provide support and counsel to the City's elected leaders. In 1984, the Phillips Commission created a comprehensive report focusing on the City's operations. As a follow-up, the Infrastructure Commission, chaired by John Smale, led an effort to evaluate the City's infrastructure needs. In 2001, in the wake of civil unrest in downtown Cincinnati, the CAN Commission was created to identify necessary police, community, and economic reforms. Shortly thereafter, a group of business leaders helped create a wholly new economic development framework for downtown and Over-the-Rhine, resulting in the creation of the Center City Development Corporation, or 3CDC, and hundreds of millions of dollars of investment in the City's urban core. Most recently, efforts like GO Cincinnati and the Child Poverty Collaborative have brought together business, civic, and City leaders to tackle urgent challenges in our community.

Beginning in early 2022, in conversations with business community leadership, Mayor Aftab Pureval inquired about the willingness to create a commission that would evaluate and provide recommendations about the City's finances and financial condition. After discussions with the Mayor, the Cincinnati Regional Chamber and the Cincinnati Business Committee and Cincinnati Regional Business Committee (CBC/CRBC), proposed a "Futures Commission" that would not only evaluate the City's finances but more broadly identify an economic agenda for the City's future. In addition, the Commission would ground their work in data and community engagement, producing a series of recommendations that would incorporate the opinions and perspectives of the Cincinnati community at large.

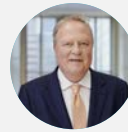
At the request of the Mayor, Jon Moeller agreed to chair the Commission.

At his State of the City Address in November 2022, Mayor Pureval officially announced the Commission's formation the work of the Commission

as "fundamental to the City's future." The Mayor noted that this would be an "undertaking that could determine whether we prosper or falter as a city."

The membership of the Futures Commission was designed to provide a diverse and thorough knowledge base and expertise of the City. Commissioners include executives, business owners, nonprofit CEOs, and labor leaders. Importantly, they sit on the boards of more than 90 nonprofit, community and economic development, and civic boards, bringing perspective beyond their day-to-day work that gave the Commission further reach into the community.

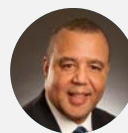
FUTURES COMMISSION CHAIR AND VICE CHAIRS



JON MOELLER, Chairman, President, and CEO, the Procter & Gamble Co. | Chair



KATIE BLACKBURN, EVP, Cincinnati Bengals | Vice-Chair, Community Insights & Priorities



PHILLIP HOLLOMAN, Co-Founder, Holloman Center for Social Justice | Vice-Chair, Economic Agenda



TIM SPENCE, Chairman and CEO, Fifth Third Bank | Vice-Chair, Financial Review

CINCINNATI FUTURES COMMISSION MEMBERS

Stuart Aitken, Senior Vice President and Chief Merchant and Marketing Officer, The Kroger Co.

Matt Alter, President, Cincinnati Firefighters Local 48

Candice Matthews Brackeen, General Partner, Lightship Capital

Kerry Byrne, President, TQL

Manuel Chavez, CEO, Mobile Infrastructure

Michael Fisher, CEO, Winding Way Advisors

Chris Fister, Partner, Castellini Management Company

David Foxx, Chairman, d.e. Foxx & Associates

Bill Froehle, President, Cincinnati AFL-CIO Labor Council

John Fronduti, Assistant General Counsel, American Financial Group

Chris Habel, Partner in Charge, Frost Brown Todd

Deborah Hayes, President and CEO, The Christ Hospital

Dan Hils, President, FOP Local 69

Renita Jones-Lee, Regional Director, AFSCME Ohio Council 8

Elizabeth Mangan, CEO, Miller Valentine

Roddell McCullough, Chief Corporate Responsibility Officer, First Financial Bank

Candace McGraw, CEO, CVG Airport

Laura Mitchell, President and CEO, Beech Acres Parenting Center

Paula Boggs Muething, Chief Business Officer, FC Cincinnati

Jon Niemeyer, SVP, CAO & General Counsel, Western & Southern

Molly North, CEO, Al Neyer Inc.

Michelle O'Rourke, CEO, O'Rourke Wrecking Company

Bimal Patel, Founder and CEO, Rolling Hills Hospitality

Jorge Perez, President and CEO, YMCA of Greater Cincinnati

Neville Pinto, President, University of Cincinnati

Barb Smith, President, Journey Steel

Amy Spiller, President, Ohio and Kentucky, Duke Energy

Barbara Turner, CEO, BT Rise

George Vincent, Partner, Dinsmore

Ebow Vroom, CEO, Qey Capital Partners

THE CINCINNATI FUTURES COMMISSION ORGANIZED ITSELF INTO THREE KEY WORKSTREAMS:

COMMUNITY INSIGHTS & PRIORITIES, CHAIRED BY KATIE BLACKBURN

The Community Insights & Priorities workstream leveraged existing efforts and conducted a deeper analysis of the City's recent and planned community surveys. The workstream tapped into the vast ecosystem of neighborhood and community organizations to ensure that the community's civic priorities are incorporated into the Commission's final recommendations by capturing the insights of the people who live, work, and spend time in Cincinnati. Utilizing expertise within the business community and additional outside consultants, the workstream helped prioritize the types of services and areas of investment identified by Cincinnatians in order to elevate the policies and themes that matter most to the people of Cincinnati. Aligned with the Financial Review and Economic Agenda work, the Community Insights & Priorities workstream employed survey and polling tools and conducted focus groups to deliver recommendations to the Commission and City on the issues and topics most relevant to everyday Cincinnatians.

ECONOMIC AGENDA, CHAIRED BY PHILLIP HOLLOMAN

The Economic Agenda workstream was tasked with creating recommendations to drive equitable economic growth and accelerate economic prosperity for the City of Cincinnati and its businesses and residents. The workstream examined economic drivers, business expansion and attraction strategies, economic inclusion efforts, and quality of life/livability initiatives. The workstream had the opportunity to review and synthesize existing trends and economic strategies across the City to ensure alignment and recommend the best way to codify, streamline, and advance them. The work endeavored to seek an understanding of pandemic-related shifts in the economy and urban growth and make recommendations based on an analysis of the City's post-pandemic position in the local, regional, and national economy.

FINANCIAL REVIEW, CHAIRED BY TIM SPENCE

The Financial Review workstream evaluated and conducted a review of the City's structural financial positions, revenue and spending projections, infrastructure and capital needs, and overall priorities. As part of this review, the workstream benchmarked the City against peers in key operational, budget, and tax policy categories. The workstream reviewed the City's current and long-term budget trends and assessed the capital budget, including the state of City infrastructure (roads, parks, facilities, fleet, etc.). Ultimately, the workstream's focus was on ensuring long-term financial sustainability and operational excellence at the City in the coming decade.

The work of the Cincinnati Futures Commission was supported by the Cincinnati Regional Chamber, the CBC/CRBC, and key leadership team members from P&G. In addition, the staff team identified the need for support for each workstream and led a process to identify potential consultant partners.

After a competitive search, the Cincinnati Futures Commission hired EY and Cohear to support the processes with research, benchmarking, modeling, and overall consulting services.

EY: EY, a well-established firm in the Cincinnati business community, brought together a team from across the country to support the Futures Commission with its Financial Review and Economic Agenda workstreams. EY's team was comprised of seasoned professionals with experience in public finance, revenue and expense analysis, municipal operations, and city budgeting. The team also included professionals with experience evaluating water and railroad related infrastructure opportunities, as well as professionals familiar with Cincinnati and Ohio economic development policy, public pensions, public safety, real estate, human capital, and other backgrounds.

Cohear: Founded in 2017, Cohear is rooted in Cincinnati and has grassroots networks across the city. Cohear provides a unique model of community listening and engagement, and led focus groups on behalf of the Commission to identify trends, community desires, and overall perspective. Cohear partnered with EY's survey research arm to conduct broad scale research in the City on behalf of the Futures Commission and supported the work of the Community Insights workstream.



Throughout 2023 and early 2024, the full Commission met seven times, including a half-day session in the fall. Each workstream met at least four additional times, and the Chair and Vice Chairs met an additional six times. The staff team participated in more than 500 meetings and discussions throughout the year. This report reflects the decisions and opinions and recommendations of the Futures Commission, and not of any consultant, organization, or individual's perspective.

This map shows the ten peer communities used for the Financial Review and Economic Agenda benchmark analysis.

These peer groups were selected considering 15 attributes of central cities and their corresponding metro areas across four major categories:

- Population
- Employment
- Socioeconomic characteristics (e.g. minority share, income disparity, and education disparity)
- Government structure/state capital

The peer groups were also evaluated by how frequently the MSAs/cities appeared in recent local and regional plans.



ENGAGEMENT AND COMMUNITY LISTENING

Importantly, the work of the Cincinnati Futures Commission was grounded in the perspectives of Cincinnatians of all backgrounds and experiences. As such, the Commissioners and staff endeavored to engage with hundreds of leaders, civic organizations, elected officials, and residents from a diverse range of geographies, income levels, and backgrounds. Early on, Commissioners realized that the importance of the City's success extends beyond just individuals who choose to or can live in the City of Cincinnati. The City's success is a necessary part of the region's economy, and as such, visitors and tourists, students, and people who work or do business in the City were the focus of the community engagement effort, as were former residents who moved outside the City and those who wanted to live in the City but for whatever reason did not.

Over the past year, the Futures Commission met and engaged with:

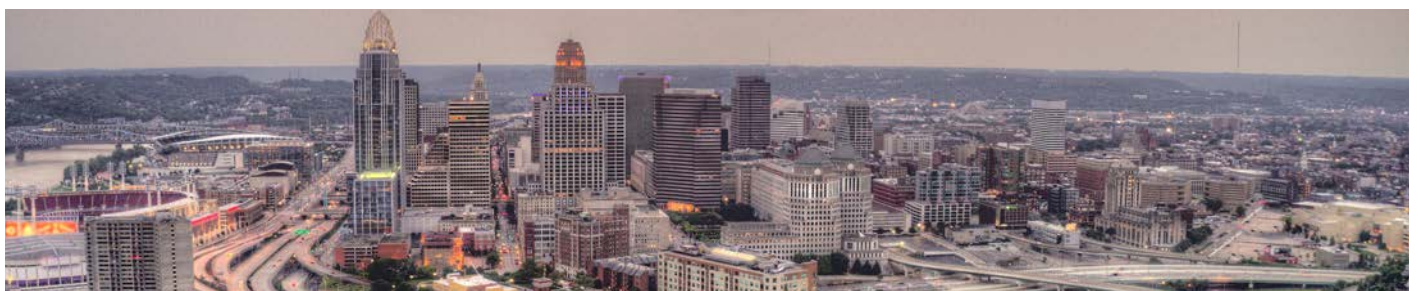
- More than 800 individuals
- More than 70 organizations that are part of the City's economic ecosystem, including groups representing community development, talent and workforce, human services, entrepreneurship and innovation, minority and women-owned businesses, arts and culture, and economic development.
- 16 City departments, each of the City's Councilmembers, the Mayor, the City Manager and her team, and previously elected City leaders.

The Commission, led by Cohear, conducted twelve focus groups, designed to elicit opinions and perspectives from individuals with unique lenses on the City. Those groups included:

- Low to moderate income residents
- Middle income residents
- Middle income non-residents
- High income residents
- Young professionals and college students
- Business owners in business districts
- Black Cincinnatians and persons of color
- Commuters
- Visitors

The Commission used the City's resident surveys to provide a baseline set of perceptions about how residents view the City and its services. The Commission also conducted a survey regarding perspectives of the City, its budget, and the issues that are top of mind for the public. That survey included more than 700 respondents, more than half of whom were City residents.

These insights informed the work of the entire Commission throughout the year and are woven into the fabric of the Commission's recommendations and this report.



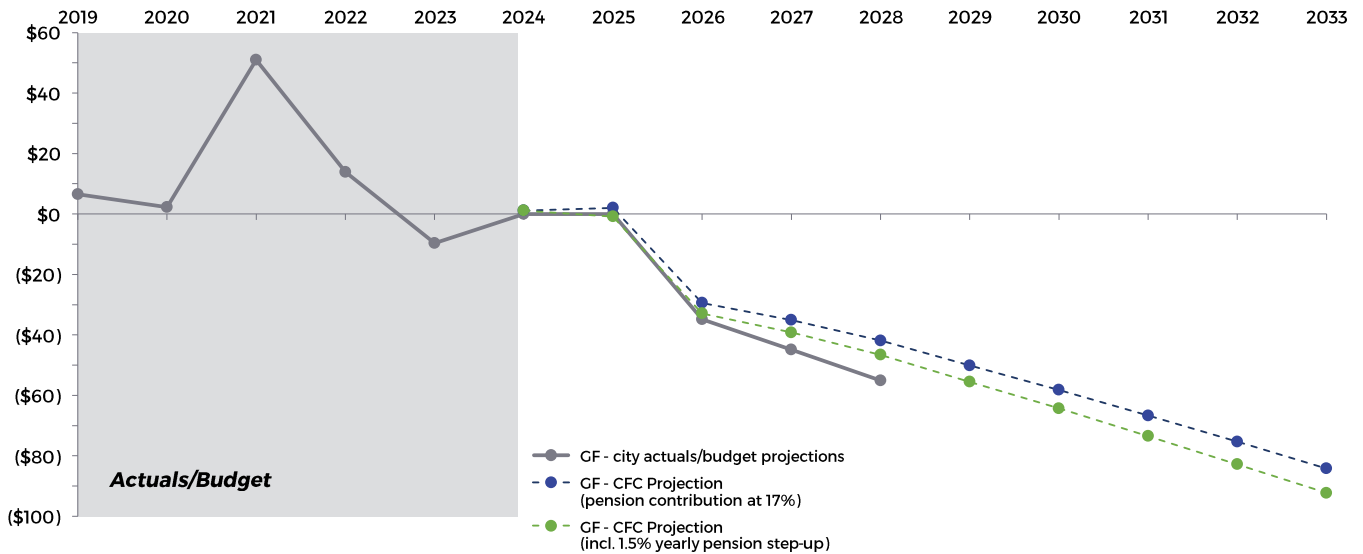
UNDERSTANDING THE CURRENT STATE OF CINCINNATI

Among its first pieces of work, the Cincinnati Futures Commission engaged in a learning effort to identify the nature of the challenges facing the City. The overarching themes for the City are clear:

THE CITY HAS A SIGNIFICANT STRUCTURAL DEFICIT THAT NEEDS ATTENTION

The operating deficit of the City is pressured by remote work, rising employee costs, inflation, and a potential recessionary environment. The City’s operating budget deficit is projected to be \$438 million over the next decade. This assessment is somewhat more optimistic than the City’s baseline assumptions and is the amount the Futures Commission used to develop its recommendations.

CFC’s updated 10-Year GF surplus / (deficit) projections, 2024 – 2033 (\$ in M)



Surplus / (Deficit) Projections (\$ in M)	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	Total
City's GF baseline	0	0	(35)	(45)	(55)	n/a	n/a	n/a	n/a	n/a	n/a
GF - CFC Projection (pension contribution at 17%)	1	2	(29)	(35)	(42)	(50)	(58)	(67)	(75)	(84)	(438)
GF - CFC Projection (incl. 1.5% yearly pension step-up)	1	(1)	(33)	(39)	(47)	(56)	(64)	(73)	(83)	(92)	(487)

1. Projections for GF expenditures grow off the FY24 approved budget; all General Fund Projections are inclusive of ARPA funding
2. Personnel Vacancy Assumption (PVA) incorporated in CFC expenditure projections equates to 3.5% in baseline to offset increasing wage assumption

CINCINNATIANS ARE BURDENED WITH HIGH TAXES AND FEES

Through a review of total tax and fee (state and local) burdens facing City residents and through feedback from focus group conversations and survey data, the Futures Commission learned that Cincinnatians face a higher overall burden than most of its peers, even as the portion of taxes the City collects is comparatively lower. This burden, when coupled with rising housing costs and inflationary measures is meaningful to Cincinnati taxpayers. Because of this, Commissioners worked hard to assess any new fees or revenue generation recommendations to ensure they maintained the balance between needed investments, the City's competitiveness, and the impact to taxpayers.

SAFETY, BOTH PHYSICAL AND PEDESTRIAN, IS CRITICAL TO RESIDENTS, WORKERS, AND VISITORS

Nearly every encounter with a resident, worker, or visitor led to a discussion about safety. Commissioners heard clearly that physical safety was a top priority, and there was support for visible and well-funded police and fire services. Additionally, the qualitative and quantitative data showed that pedestrian safety in neighborhoods and downtown was a key priority as people value high quality sidewalks and trails and do not feel safe with vehicle speed, driver carelessness, and lack of traffic enforcement.

RESIDENTS VALUE THE SERVICES THE CITY PROVIDES

A clear trend line emerged through resident responses to prior surveys (e.g. the City's Resident Surveys) and Futures Commission research of a high level of satisfaction with the services provided by the City. The Futures Commission survey, for example, showed 75% of residents rating the City's basic services as "good or excellent". Services that rose to the top of resident satisfaction include trash and recycling collection, fire department services and health department services.

CONCERNS ABOUT ACCESS TO QUALITY SCHOOLS HINDERS THE CITY'S ABILITY TO RETAIN RESIDENTS

While the Futures Commission was not convened to evaluate Cincinnati Public Schools, it was clear from resident and stakeholder conversations that the perception of the public school system limits the City's ability to grow. Residents seeking a higher-performing or more convenient school system

are choosing to leave the City or seek out private alternatives. The current state of CPS presents challenges to growth, and policy makers and the Cincinnati community should engage in analysis and reform efforts, some of which are underway or contemplated - including a renewed emphasis on student outcomes.

ACCESS TO ATTAINABLE AND AFFORDABLE HOUSING IS A TOP PRIORITY

As is generally true in cities across the country at this moment, residents are frustrated by a lack of affordable and attainable housing. This manifests itself differently with different residents: some are income limited and need deeply affordable housing, while others would like to live in the City but cannot find housing that suits their budget or lifestyle. It seems that many are not happy with the current housing stock in the City, necessitating an increase in housing at all levels.

RESIDENTS ARE BROADLY UNAWARE OF THE CITY'S BUDGET CHALLENGES

Many citizens are accustomed to the City facing difficult financial conditions and have not distinguished this critical moment from the City's run-of-the-mill annual budget challenges. For example, only 14 percent of respondents to the survey believed the City's financial condition is "fair or poor". The Futures Commission immediately recognized this as a challenge, as it is recommending significant changes that may come as a surprise to residents who are not closely following the longer-term structural imbalances in the City's budget. However, the data showing a long-term unsustainable financial model is undeniable.

THE CITY'S PENSION FUNDING SHORTFALL IS A UNIQUE ALBATROSS THAT THREATENS THE CITY'S GENERAL FUND AND HAMPERS THE CITY'S ABILITY TO GROW

The City of Cincinnati is the only city in Ohio that has its own municipal employee pension fund. It was funded at approximately 69% at the end of 2022. Because of the City's Collaborative Settlement Agreement, the City is required to make contributions of at least 16.25% of payroll and agreed to a fully funded pension system by 2045 and is currently contributing 17%. Maintaining that contribution level means it is projected to be funded at 29% in 2045 based on actuarial estimates. To continue increasing that contribution to meet the full funding obligation would cause significant strain to the City's general fund, with an average yearly

contribution averaging \$60 million between fiscal years 2025 through 2045. The long-term implications of finding ways to fund the City's pension obligations is an issue that has consistently loomed over the City and its workforce.

THE CITY'S INFRASTRUCTURE DEFICIT IS SIGNIFICANT BUT IS MITIGATED BY THE SALE OF THE CINCINNATI SOUTHERN RAILWAY

During the work of the Futures Commission, the City of Cincinnati elected officials and voters endorsed and approved a plan to sell the Cincinnati Southern Railway, creating a permanent trust to fund City infrastructure commitments. At the beginning of this process, the Futures Commission identified a nearly \$400 million funding gap through 2029. That deficit should be eliminated based on projections as a result of the railroad sale. While the Commission believes the City should remain vigilant about ongoing infrastructure needs, the increased funding creates a path to sustainability. More on this solution will be detailed later in the report.

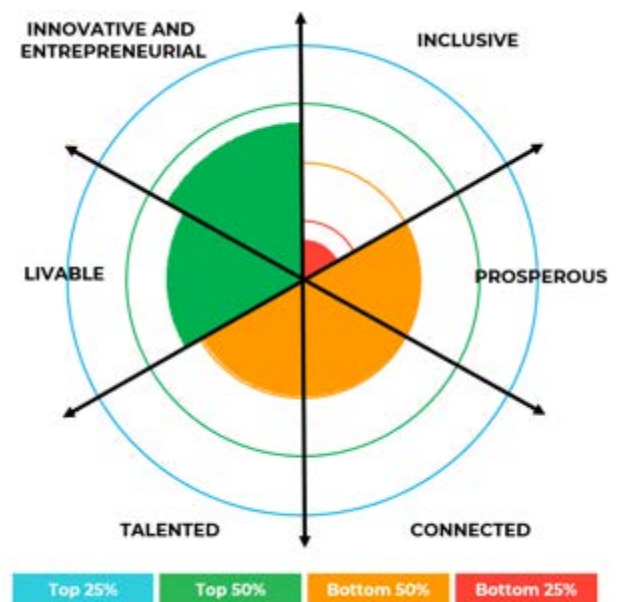
The Economic Agenda workstream undertook an analysis of the current state of the City's economy and the ecosystem inside and outside of City government that supports it. By analyzing Cincinnati on 37 metrics against a set of ten peer cities and engaging with more than 70 stakeholders across the economic ecosystem, the Commission gained a clear sense of the state of Cincinnati compared to its peers and in the eyes of the people who are working in its economic ecosystem. The overarching themes from this work were:

THE CITY NEEDS A STRATEGY TO ATTRACT GOOD PAYING JOBS AND GROW ITS POPULATION

At least 50% of survey respondents said "increasing the availability of well paying jobs" should be a priority to promote economic growth. Harnessing the future growth potential of Cincinnati's diverse and innovative economy will rely on a combination of factors streamlining procedures and policies for attracting new businesses; transforming new and existing spaces for jobs to locate; and creating pathways to economic opportunity in the region's key growth sectors.

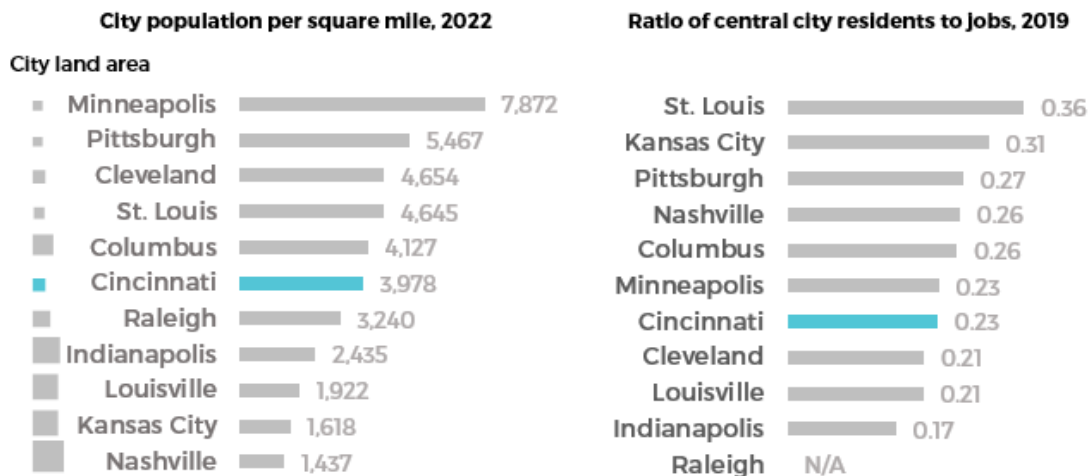
THERE IS A LACK OF COORDINATED VISION REGARDING ECONOMIC DEVELOPMENT

The Commission's initial findings, supported by stakeholder interviews, suggested that the City lacks a bold vision for economic growth. There was a belief that City leaders typically do not prioritize economic development projects, allowing bureaucratic protocols and processes and misguided policy goals to limit or curb opportunities rather than deploy the City's tools to support development and growth initiatives. Consistently, Commissioners heard that this lack of leadership or clear vision presented the perception of an anti-development culture at City Hall. This is borne out both by large developers who do business in Cincinnati and other places across the country, as well as small businesses and residents looking to pull permits to invest in their storefronts and homes. Put simply, doing business with the City is a major challenge.



CINCINNATI'S LACK OF DENSITY IS HOLDING IT BACK AND PRESENTS OPPORTUNITIES TO GROW

At 78 square miles, Cincinnati is one of the smallest geographic footprints among peer cities. The City's 309,513 population makes up only 14% of the overall regional population. Cincinnati has the lowest density among geographically smaller benchmark cities (<100 square miles), including a lower density than Columbus, which spans 220 square miles. Cincinnati also exhibits a disconnect between people and jobs. According to an analysis from the Brookings Institution, Cincinnati's central area has a ratio of less than one resident for every four jobs.



While Cincinnati's geographic size is not something that can easily change, smarter land use is one tool in building a more sustainable economic future in Cincinnati and represents an opportunity to create density and foster connectivity between the various neighborhoods and business districts. These findings make clear two things: the essential nature of strategic site development for new jobs and housing, and the imperative to support efforts to build more dense communities that can house the residents, jobs, and amenities that make Cincinnati an attractive place.

THERE ARE UNTENABLE DISPARITIES BETWEEN CINCINNATIANS THAT MUST BE ADDRESSED

While Cincinnati is a diverse community with 40% of residents identifying as Black, overall, Cincinnati is not as inclusive when compared to its peer communities, ranking last in four of the six inclusivity indicators the Commission studied. While there are exceptions, regions characterized by less severe economic, educational, and employment disparities between communities of color and the rest of the population typically outperform their more racially divided counterparts.

Among the starkest findings, Cincinnati has the highest level of income inequality among benchmark cities. Households in the top quintile earn 29 times more than those in the bottom quintile. Additionally, Cincinnati has the largest gap between the top 20% and bottom 20% of income earners, indicating there may not be adequate opportunities for middle-class residents.

Rank	Benchmark city	Ratio of mean income of top 20% versus bottom 20% of households, 2021	Rank	Benchmark city	Median female earnings as share of median male earnings
1	Columbus, OH	13.4	1	Minneapolis, MN	94.7%
2	Indianapolis, IN	14.5	2	Nashville, TN	89.5%
3	Kansas City, MO	15.4	3	Raleigh, NC	82.1%
4	Louisville, KY	15.9	4	Columbus, OH	82.0%
5	Nashville, TN	17.4	5	Indianapolis, IN	81.4%
6	Raleigh, NC	18.6	6	Cleveland, OH	81.0%
7	Minneapolis, MN	18.8	7	St. Louis, MO	80.8%
8	Cleveland, OH	21.4	8	Louisville, KY	79.8%
9	St. Louis, MO	24.0	9	Kansas City, MO	76.3%
10	Pittsburgh, PA	26.5	10	Pittsburgh, PA	74.8%
11	Cincinnati, OH	29.4	11	Cincinnati, OH	71.7%

Rank	Benchmark city	Share of Black workers in management occupations
1	Pittsburgh, PA	9.2%
2	Kansas City, MO	8.5%
3	Raleigh, NC	8.3%
4	St. Louis, MO	8.1%
5	Columbus, OH	8.0%
6	Indianapolis, IN	7.6%
7	Nashville, TN	7.1%
8	Cincinnati, OH	6.5%
9	Cleveland, OH	5.7%
10	Minneapolis, MN	5.6%
11	Louisville, KY	5.5%

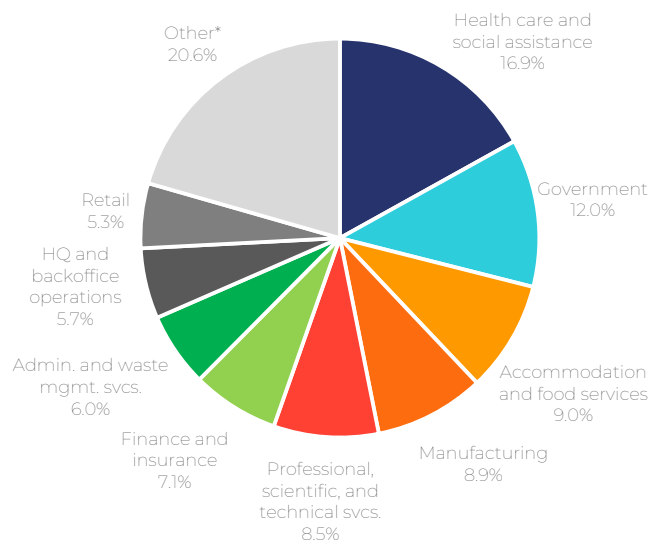
Rank	Benchmark city	Ratio of percent of Black residents with a bachelor's degree or higher to percent of White residents with a bachelor's degree or higher
1	Nashville, TN	0.58
2	Indianapolis, IN	0.57
3	Louisville, KY	0.53
4	Raleigh, NC	0.51
5	Cleveland, OH	0.45
6	Columbus, OH	0.44
7	Pittsburgh, PA	0.40
8	St. Louis, MO	0.37
9	Kansas City, MO	0.35
10	Minneapolis, MN	0.30
11	Cincinnati, OH	0.26

Rank	Benchmark city	Foreign-born share of population
1	Columbus, OH	15.1%
2	Raleigh, NC	13.8%
3	Minneapolis, MN	13.7%
4	Nashville, TN	13.6%
5	Indianapolis, IN	10.9%
6	Louisville, KY	9.9%
7	Pittsburgh, PA	8.6%
8	Kansas City, MO	8.0%
9	Cincinnati, OH	6.9%
10	St. Louis, MO	6.2%
11	Cleveland, OH	5.7%

Rank	Benchmark city	Ratio of median income between White and Black households
1	Indianapolis, IN	1.5
2	Nashville, TN	1.5
3	Columbus, OH	1.6
4	Cleveland, OH	1.7
5	Louisville, KY	1.7
6	Kansas City, MO	1.9
7	Raleigh, NC	2.1
8	St. Louis, MO	2.1
9	Pittsburgh, PA	2.3
10	Minneapolis, MN	2.4
11	Cincinnati, OH	2.6

CINCINNATI HAS A DIVERSE ECONOMY THAT POSITIONS IT WELL FOR SUCCESS

Cincinnati has a diversified economy where no major industry category exceeds 17% of employment. This diversity, combined with a strong presence of Fortune 1000 headquarters and key institutions like the University of Cincinnati and Cincinnati Children’s Hospital and Medical Center, foster an environment of enhanced economic resiliency. Cincinnati is also the ever-expanding innovation hub for the region as evidenced by its concentration of patents, university R&D funding, and workers in STEM related fields – all areas where Cincinnati outperformed most of its peers.



*Other includes Construction, Other Services (except Public Administration), Arts, Entertainment, and Recreation, Educational Services, Wholesale Trade, Transportation and Warehousing, Information, Real Estate and Rental and Leasing

SETTING BIG GOALS & IMPROVING OUTCOMES

As it conducted its work, it became clear to the Futures Commission that the City's lack of measurable goals was hindering its ability to move the needle on the metrics that drive growth for residents and the City's budget. Instead, the City was broadly guided by a set of plans or strategies that at best were aware of the others' existence but were often wholly separate or even in conflict. This left policymakers and City leaders without clear guides to assess operational changes, investments, and new policies. What's more, the lack of clear metrics for growth made it harder for outside partners to work with the City to drive meaningful improvements.

Similarly, the Futures Commission's analysis made clear that the City was not regularly benchmarking its operations and budget against a set of peer cities to understand where it was excelling and where it should focus efforts on improvements.

The Futures Commission believes that it is critical for the City to adopt a set of clear goals and align its operations, investments, and policies to achieving them. Over the next decade, the City has the opportunity to achieve, at a minimum:



The Commission set these goals after an assessment of the City's current growth rates, an analysis of our peer cities, and an understanding of the impacts the Futures Commission's recommendations could have. These goals are attainable and could even be exceeded under the right circumstances. Importantly, they would also cement the City's growth trajectory into the future.

The benefits of achieving these growth goals would be immense for the community. Increasing the per capita income would directly improve the lives of Cincinnatians struggling to find and afford housing or access a good paying job. It would mean more neighbors in our community spending their dollars in the City's neighborhood business districts, and it would mean new companies located inside the City, bringing direct and indirect economic investments. Based on analysis for the Futures Commission achieving these goals would bring an economic impact of more than \$15 billion over the next 10 years.

\$15 BILLION IN TOTAL ECONOMIC IMPACT BY 2033 FROM 44,000 NEW JOBS

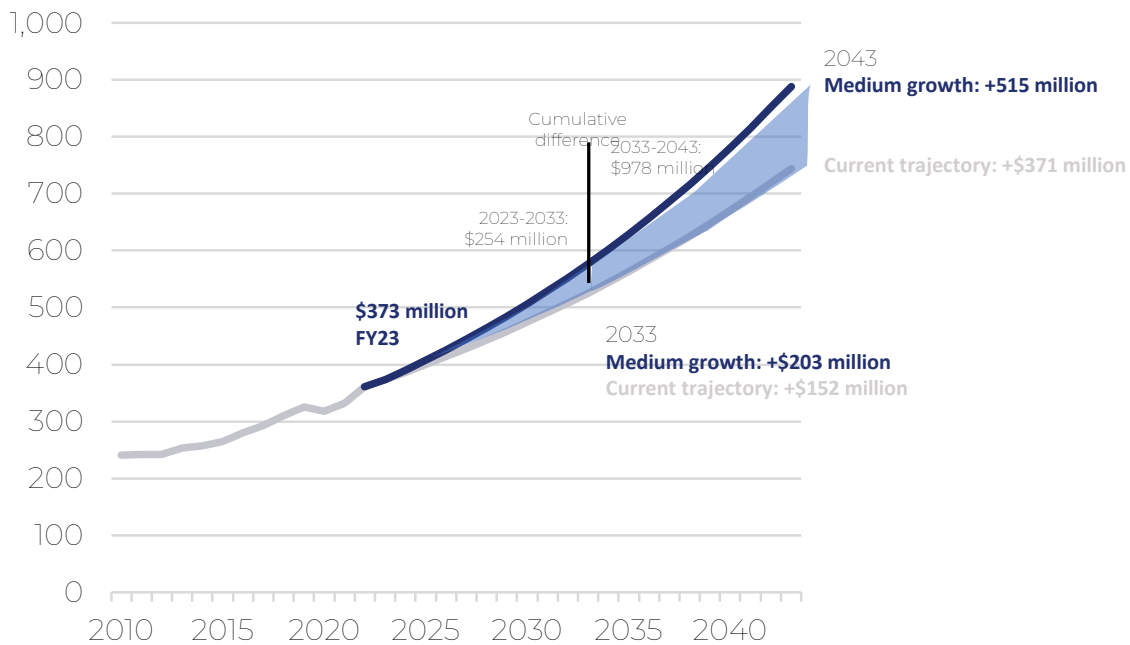
2033	Jobs	Labor income	Value added	Economic output
Direct	44,000	\$3,445,133,633	\$5,214,315,525	\$8,956,644,993
Indirect	16,181	\$1,269,676,482	\$2,209,840,723	\$3,795,849,858
Induced	12,989	\$799,662,878	\$1,387,455,911	\$2,383,237,066
Total	73,169	\$5,514,472,994	\$8,811,612,159	\$15,135,731,917

For the City, achieving these goals means significant growth in revenue to support the City’s operations. Over the next decade, the analysis shows that earnings and property tax receipts would increase by \$254 million in the coming decade, and even more beyond that timeframe.

COMMISSION TARGETED GROWTH GOALS

Over 10 years, Cincinnati Could Add:	Over 20 years, Cincinnati Could Add:	New Revenue Impact to the city:
<ul style="list-style-type: none"> • 26,000 new residents • 44,000 new jobs • \$21,500 increase in per capita income • \$21,000 increase in earnings per job 	<ul style="list-style-type: none"> • 54,000 new residents • 96,000 new jobs • \$55,000 increase in per capita income • \$49,000 increase in earnings per job 	<ul style="list-style-type: none"> • An additional \$203 million in year 2033 • \$51 million more than current trajectory in year 2033 • \$254 million more cumulatively from 2023-2033

EARNINGS AND PROPERTY TAX REVENUE



Commissioners felt strongly that starting with goals would help the City and its stakeholders chart a clear path toward growth. To be clear, the identified growth goals are minimum goals. The Futures Commission believes that if the City is going to usher in a new era of growth, it should strive to achieve and surpass these goals. For example, if the City achieved this population growth goal, it would nearly double the City’s growth rate over the previous ten years. The City should look to be more competitive with its fastest-growing peer cities. Additionally, these four goals also track to the feedback received from the majority of our stakeholders and survey respondents.

Finally, and this cannot be stressed enough, achieving the growth goals could put the City on a path to dramatically exceed its revenue projections, ultimately allowing for a future reduction in the earnings tax rate.



USHERING IN A DECADE OF GROWTH

After all of the analysis and engagement, the Futures Commission aligned around a set of recommendations that focus on two key objectives:

- ALIGNING THE CITY'S OPERATIONS TO SUPPORT GROWTH
- INVESTING IN PROVEN, STRATEGIC DRIVERS TO ACHIEVE GROWTH GOALS

The Futures Commission believes that the City must take proactive and bold steps to usher in an era of growth. In addition to the steps it must take to create a structurally balanced budget that is sustainable, the City must make a meaningful investment in its future growth. The Futures Commission believes that investment should be aligned to the City's greatest needs and top priorities. Our prioritized investments focus on creating sites for good jobs, increasing affordable and attainable housing, supporting neighborhood redevelopment and growth, and doubling down on proven support structures that reduce disparities through investment in minority-owned businesses at all levels. Importantly, the Futures Commission believes investments should be coupled with aligning the City's operations to support growth – in other words, the City should work to improve its culture, structures, and bureaucracy.

This section elaborates on each of these strategies in more detail.

ALIGNING THE CITY'S OPERATIONS TO SUPPORT GROWTH

While the City has grown over the past decade- reversing the 50-year trend of decline- when compared to peer cities, Cincinnati's growth is in the bottom half, with others making far more strides. Given that market conditions and inflation have made development more difficult in general, developers from Cincinnati and from out of town are choosing to skip this market or decrease their investment here and work in cities and regions where it is easier to do business and that are incentivizing growth appropriately.

Historical growth rate comparisons, Annual growth since 2010

Population		Jobs		Per capita income		Average annual earnings					
1	Raleigh	1.34%	1	Raleigh	2.78%	1	Nashville	5.43%	1	Nashville	3.04%
2	Columbus	1.16%	2	Nashville	2.29%	2	St. Louis	5.25%	2	Louisville	3.01%
3	Nashville	1.03%	3	Columbus	1.33%	3	Pittsburgh	4.59%	3	Minneapolis	2.81%
4	Minneapolis	0.87%	4	Louisville	1.23%	4	Cleveland	4.59%	4	Raleigh	2.65%
5	Kansas City	0.84%	5	Minneapolis	1.09%	5	Minneapolis	4.41%	5	Columbus	2.62%
6	Indianapolis	0.58%	6	Indianapolis	0.86%	6	Raleigh	4.40%	6	Cleveland	2.59%
7	Louisville	0.38%	7	Kansas City	0.79%	7	Indianapolis	4.15%	7	Indianapolis	2.56%
8	Cincinnati	0.35%	8	Cincinnati	0.22%	8	Columbus	4.10%	8	Cincinnati	2.55%
9	Pittsburgh	-0.07%	9	Cleveland	0.13%	9	Louisville	4.08%	9	St. Louis	2.47%
10	Cleveland	-0.75%	10	St. Louis	-0.15%	10	Cincinnati	3.89%	10	Pittsburgh	2.40%
11	St. Louis	-0.90%	11	Pittsburgh	-0.28%	11	Kansas City	3.79%	11	Kansas City	2.28%

Source: Census Bureau, Lightcast

The Futures Commission conducted meetings, interviews, and focus groups with more than 70 stakeholders who conduct business with the City in some manner. These include people from a variety of groups, such as nonprofit organizations, community advocate groups, small businesses, economic development professionals, and large companies. By and large, these stakeholders were passionate about and loved the Cincinnati community and individual neighborhoods but found working with the City to be challenging, especially if their organization had to rely on more than one City department to obtain what they needed to implement their project or program.

Almost any project – whether it be a new neighborhood development, opening a small business, affordable housing construction, building or expanding a corporate headquarters, or any number of pro-growth efforts – relies on more than one City department to implement a project. As expected, many projects touch the Department of Community and Economic Development, but nearly all of them must also gain approvals from or interact with some combination of Buildings & Inspection, Law, Planning & Engagement, Greater Cincinnati Water Works, the Department of Transportation and Engineering, Fire, and Health. After working with City Departments, many also require approval from the Planning Commission,

City Council, and sometimes the Historic Conservation Board. Currently, there is no one at the City who is specifically tasked with ensuring that projects and initiatives that will grow the City are guided through the multitude of layers of City government required to bring that investment to fruition.

It would be unreasonable to place this burden on one department or even a small subset of departments, which would require peers to lobby peers in seeking to make progress when an item is caught up in another department. When one department's priorities conflict with others' priorities, projects will continue to meet roadblocks to completion.

This situation is indicative of the number one issue stakeholders raised in conversations: they do not believe that City leaders have explicitly taken a pro-growth stance and have not conveyed a positive vision toward growth to the City administration or externally to the public at large. It isn't that stakeholders disagreed with City Hall's economic agenda – they simply don't believe the City has one. Further, stakeholders worry about working with the City because they do not see the different segments of the City working together with one set of priorities – the Mayor, Council, City Manager, City staff, and various approving boards do not

seem to be on the same page, nor consistent, in the way that they approach growth initiatives. In fact, some cited that staff would warn them against certain projects knowing that even though the project technically qualified under the City's written incentives policy, that the project may not make it through Council, Planning Commission, or other approvals because it might face resistance based on the type of housing it was providing, the mix of contractors involved, or objections of a small group of residents speaking on behalf of an entire neighborhood.

While stakeholders were consistent in discussing the need for a pro-growth vision, they did seem to be split in their perceptions of the day-to-day culture of staff and working with individual departments. Many perceived the City as hostile toward development and as instituting a "culture of no."

"I also think working with the city has been a nightmare... I would say it could be active sabotage, preventing you from being able to actually be in business to make money, whether it's navigating legal, taxes, all these different things." - Small Business Owner

Other stakeholders expressed a belief that most City staff members are well-intentioned but have not been given the guidance, training, tools, or most importantly, empowerment that they need to successfully do their jobs. The perception of those stakeholders is that staff are taught – either explicitly or implicitly – to always be skeptical of outside organizations, even after the City has awarded funding for the outside group or sought to partner in some manner. Multiple stakeholders said that they just never felt like they had an advocate inside the City. Some of the City's more frequent economic development partners praised the current Administration for building good relationships, but they still cited difficulties in numerous parts of the process.

Another issue that was repeated by many stakeholders is that most external people who work with the City do not know who to call on any given issue. Turnover has impacted the pipeline of staff, particularly in the economic development

"We went through Hamilton County Board of Health, we had the same sanitarian every time, they helped us get the license, they explain things to us. They seem like they had more staffing and their staffing didn't seem stretched. Everybody at the Board of Health feels like they're under staffed, they never have enough support." – Small Business Owner

"It's frustrating that you spend so much money and so much effort and time in the city who could help you, but it is not helping. And so we're trying to organize to get that one voice to larger voices to do that, but it's not easy." – Neighborhood District Small Business Owner

space. When something goes wrong or approval is needed, it was often unclear who the ultimate decisionmaker was on the issue. Even those who worked most frequently with the City expressed frustration with the constant change in who they were supposed to rely on to ask a question or get something done.

Almost every stakeholder from both the economic development and community spaces noted how slow and cumbersome it is to work with the City. There are community groups waiting months to be paid on awards already approved by Council. The Futures Commission consistently heard about instances where contracts or development agreements took months to turn around. Adding to the challenges presented by these long turn arounds, the City also requires all development agreements to originate from its own Law Departments, slowing down the speed of these agreements by weeks and months, costing a significant amount of money.

One small business owner in a focus group said they paid extra for Coordinated Site Review service, which is supposed to expedite the process, only to be told at the end that what they had been told in the early part of the process was incorrect and that they wouldn't be approved by the actual department that made the decision on the permit they needed. They had already spent thousands buying equipment that was now rendered useless.

to slow down how much they invest in the City of Cincinnati and even in the region. Places like Nashville and Columbus are becoming known as cities where adding housing and small businesses is a priority according to stakeholder conversations.

One person noted that their organization has several plots of land in the City but hasn't worked on a project here in three years because it's just too difficult.

RECOMMENDATION: THE CITY OF CINCINNATI SHOULD CREATE AN OFFICE OF STRATEGIC GROWTH.

As discussed throughout this report, the Futures Commission believes the City of Cincinnati should commit to and enact a pro-growth strategy, with goals and metrics around adding people and jobs and increasing income for new and current residents. To be successful, the City needs to implement a strategy, structure, and culture at City Hall that works toward these goals on a day-to-day basis. It is crucial that elected City leadership and the Administration make it clear to City staff that these goals are a north star to strive for when approaching work.

As part of the overall implementation of the strategy, the Futures Commission recommends that the City create an Office of Strategic Growth, staffed by three or four full-time employees and housed in the City Manager's Office, that would be empowered to implement the strategy and cut through red tape to ensure that potential projects and investments in the City come to fruition in an efficient, streamlined manner.

By placing this Office within the City Manager's Office, it will clearly demonstrate that the pro-growth agenda is a priority for the City and will enable those housed within that office to utilize the power of the City Manager to push other departments to implement a "culture of yes" when it comes to investment and growth in Cincinnati. It is deeply important that this office functions as the primary advocate for growth for the City and not as a gatekeeper that adds layers for approval. This will eliminate the challenge that currently exists at the City, where development oriented departments are often asked to engage other departments to push forward a project or initiative.

The Futures Commission recommends that this office serve as the central hub of coordination of City departments for growth-related projects and initiatives. It should be responsible for directly overseeing the work of the primary departments related to growth – Community & Economic Development, Planning & Engagement, and Buildings & Inspection, while also having the authority to convene other departments when needed to coordinate growth initiatives. It should also serve as the central hub for coordinating with critical third-party partners, such as REDI, 3CDC, the Port, and other community developers to execute an overall vision for growth and support the efforts made by these groups. It should create clear, transparent resources that outline processes for working with the City on growth activities and what resources are available related to items like tax incentives, grant programs, and partnerships.

The office should also serve as a convener and resource to connect employers seeking to add jobs to workforce programs and related efforts in the City. There are many partners who work on workforce issues, so the City does not need to replicate those programs or create something new to aid employers, but it should ensure that it can serve as a repository of information and connector of employers to those training the employees of the future.

The Office of Strategic Growth's performance should be measured against the goals that are outlined in this report along with metrics determined by the City through a formal Development Process review.

RECOMMENDATION: THE OFFICE SHOULD LEAD A DEVELOPMENT PROCESS REVIEW TO ASSESS CITY PRACTICES AND ENGAGE STAKEHOLDERS TO IDENTIFY GAPS, METRICS FOR SUCCESS, AND BEST PRACTICES FROM PEER CITIES.

Among the first tasks of this newly formed office should be to undertake a development process review to understand all the structural and cultural roadblocks to development that currently exist and plans to reform the process to orient it toward growth. At a fundamental level, even before discussions around incentives and land use, the Futures Commission consistently heard that the process of doing development in Cincinnati was more cumbersome than our peer cities, and the lack of clear City-wide leader to fix that process was a major challenge. This review is designed to address that process head on and improve the City's operations.

The Futures Commission believes that the City should engage outside support for this review and engage with the business community to ensure that the review is thoroughly and impartially conducted. It is also essential that the City engage with development leaders from the area, nonprofit community development organizations, and other stakeholders to ensure a comprehensive review is conducted and realistic solutions come out of the process. The Futures Commission expects that to be a one-time expense of \$1 million.

Over the last year, the Futures Commission engaged enough stakeholders to know that these issues are complex and touch the entire City's operations, not just one department or type of project. This report details many of those issues but is certainly not exhaustive.

The Futures Commission also reviewed data that indicated that the City seems to be understaffed compared to peer cities when it comes to its economic development functions. Assessments like this are complicated and are not always apples to apples comparisons. For example, some economic development functions are folded into other departments or outsourced in peer cities. What was clear though, was that the City of Cincinnati appeared under resourced in its development related departments (Community & Economic Development, Planning & Engagement, Buildings & Inspections, Economic Inclusion, and Law) compared to peer cities with 240-300 employees in similar functions.

The Futures Commission is not recommending automatically increased staffing for these functions in this report. It believes that appropriately staffing these departments is one component of a successful development process. However, staff capacity was not the biggest challenge identified during the Futures Commission's engagement, and increasing staff without also improving the City's processes and culture will not solve the problem.

RECOMMENDATION: COMPLETE AN UPDATED LAND USE PLAN.

The City passed Plan Cincinnati, its comprehensive plan, in November of 2012. Many of Cincinnati's neighborhoods, business districts, and corridors have changed substantially since the last plan, and the need to focus on housing has only increased over the last decade. An updated plan provides an opportunity to think through how best to address the changing landscape of the City for the needs of today and into the future.

The City is already in the process of undertaking meaningful land use reforms with its Connected Communities work, and an update to its citywide land use plan is a logical next step. The Futures Commission believes it is time for the City to update that plan, implementing a new plan that is developed with the pro-growth goals and recommendations in mind.

Despite Cincinnati being landlocked geographically and one of the smallest among its peers in land area, Cincinnati ranks last in density, making clear that the City has unused or underutilized land to be put to higher and better uses. This presents a great opportunity to examine and explore how Cincinnati can better utilize space to build housing, expand job growth, and improve overall livability in Cincinnati.

For the City to effectively drive growth through the investments laid out in this report, the City's updated land use plan needs to be bold in its approach to increasing density and supporting growth and change in neighborhoods.

INVESTING IN PROVEN, STRATEGIC DRIVERS TO ACHIEVE GROWTH GOALS

The City of Cincinnati has three main types of tax incentive programs that it uses to boost development and growth in Cincinnati: Job Creation Tax Credits, Residential Property Tax Abatements, and Commercial Property Tax abatements. There are other tools in the development toolbox, but these are the main drivers for what the City can provide to facilitate development. Feedback from stakeholders on the use of these incentives and data around development in Cincinnati and among peers indicate that while some of those tax credits are comparable and competitive, in other instances the City is significantly limiting incentives for growth at a time when other cities are accelerating them.

Additionally, as noted in the previous section, the City's slowness in responding to growth opportunities and within the development process is hindering its ability to grow as potential employers or builders of housing and commercial property are choosing to invest elsewhere. As one stakeholder put it: "The City needs to increase its pace to get in the game and stay in the game." Otherwise, it's being left behind by other jurisdictions in the region, or worse, other regions altogether. Given the rising costs of materials and labor and other factors in the market making construction difficult, time is money and potential projects are shifting to places where they can get things done expediently.

BUSINESS RETENTION AND ATTRACTION WITH JOB CREATION TAX CREDITS

Attracting good paying jobs to the City is crucial for long-term growth and stabilization of the tax base since such a large segment of the City's revenue comes from the earnings tax. It is also a significant factor in retaining and attracting residents who would otherwise live elsewhere, including the increasing number of students who are graduating from local universities like the University of Cincinnati and Xavier University, and making decisions for their future based on where they can get employment in competitive industries and see opportunities for future advancement.

It's important to note that even before Job Creation Tax Credits come into play, the City must have adequate sites for jobs to locate. Currently, the City has almost no sites that could adequately accommodate the space needed to put businesses in targeted industries for Cincinnati's growth. That need is addressed in a separate section below.

The most prominent location where there are potential sites for growth beyond downtown office space is in Uptown, including the state-designated Innovation District, which has received a great deal of funding from the State of Ohio for development of that corridor. As the City thinks about its incentive programs, it should pay special attention to this area given the ability to leverage so many other funds and partners, and to increase its connectedness to downtown and the businesses that operate there. In general, Uptown and downtown should be viewed by the City and the business community as synergistic and more attention should be paid to that relationship over the next decade.

The City of Cincinnati contracts with REDI Cincinnati, the local affiliate of JobsOhio, as a third-party partner to perform many job attraction, retention, and expansion functions. The Futures Commission applauds this partnership as many components of that work are incredibly specialized and would not be possible without a significantly larger investment from the City that would cost taxpayers far more than their current investment.

In coordination with REDI, City economic development staff perform retention and expansion visits with companies already in Cincinnati. This is considered the backbone of economic development. The feedback from REDI, City staff, and other local businesses and stakeholders is that the City has done a great job of working to ensure the right staff is available and attends these visits, particularly when they are made aware of priority visits by REDI. Some noted that staff capacity and availability can sometimes be an issue for the City for some visits that aren't the highest priority. That might be an area to target in the Development Process Review study, but overall, this is a strength of the department.

Additionally, the City of Cincinnati's Job Creation Tax Credit Incentives are largely in line with its peers and competitive in the market. Most companies who work with the City find it to be reasonable in the amounts proposed and awarded for the number of jobs and salary range when compared with the State and other Ohio cities. The City should be commended for this effort and for what was described by some stakeholders as flexibility in how things were structured when necessitated by the deal. There is some room for improvement on the availability of refundable tax credits, but overall, stakeholders seemed satisfied with what the City offers.

Where the City needs improvement is in its response time to businesses looking to potentially move to the City. Multiple stakeholders mentioned that the time it takes the City to respond with an initial offer when there is an opportunity is several times longer than others. Most other cities and JobsOhio can get initial offer letters to companies in 3-5 days, some taking about a week. The City of Cincinnati generally takes about 6-8 weeks. At that point, they typically will have been taken out of the competition. There are multiple examples of the City being too late to the game to compete with other jurisdictions.

The proposed Development Process Review should look into the root cause of why the City is so far behind its peers in responsiveness, but some stakeholders had varying theories as to why this might occur. The first is that there are too many layers of approval for official offers, even for the most basic deals. In most jurisdictions, offers are made based on the size and complexity with smaller deals requiring less approval and leveling up as the deals and potential incentives get bigger.

Another potential issue is the City's lack of a "ready to go" standard offer policy for Job Creation Tax Credits to at least get them in the door at a minimum threshold. This is not to say the City should be offering incentives to every potential employer. The types of jobs and wages are incredibly important. But if a potential employer meets certain criteria, the City should have a set of standard offers for incentives that staff is able to convey without several layers of approval as a starting point. The City's inability to do this can lock them out of opportunities.

And the timing issues must be addressed once the City gets "in the game" and an offer is considered. The same issues were cited as being problematic for companies in negotiations with the City over incentive agreements. The City is perceived to take a laid back approach once a company is engaged in the process, with further agreement drafts and revisions taking a substantial amount of time. That can be a detriment to the partnership because, as discussed above, time is money and some important decisions for companies need to be made and rely on the City's good faith effort to move forward.

RESIDENTIAL PROPERTY TAX ABATEMENTS

It is no surprise to anyone in this community that there is a need for more housing. The shortage of units – both affordable and market rate – has been documented by several organizations, studies, and the City itself. Further, a recent Cincinnati Regional Chamber study showed that more than half of all neighborhoods in the City have seen a reduction in housing units over the last decade and those neighborhoods that have seen growth – outside of a couple of neighborhoods – have seen less than a 10% increase in housing units.

In focus groups, the Futures Commission found that housing was a worry for most participants. This included housing availability at all income levels. Students and young professionals worried about where they might find affordable smaller homes like condos, and some middle-class families who had left the City cited that they couldn't afford to stay and have a home big enough to grow their families. There were low-income residents who worried about finding any type of adequate place to live and even many higher income individuals were worried that the city might not be putting enough attention toward that issue.

This is a clear call for more housing. And yet, the City has consistently lowered incentives for those trying to build housing in the City, especially market rate, when Cincinnati's peer cities are ramping up housing incentives. The City recently revised its residential incentive program to lower incentives for housing in neighborhoods that have started to see growth. The City kept the same incentives in neighborhoods that have not seen growth, hoping that the market would shift to those neighborhoods. Unfortunately, and as many stakeholders who opposed the proposal predicted, that shift has not happened, slowing the pipeline of housing units in neighborhoods outside of downtown.

COMMERCIAL PROPERTY TAX ABATEMENTS

Commercial property abatements, which are used to incentivize building or renovating a residential, commercial, industrial, or mixed-use facility, are plagued with many of the same timing and financial issues as outlined in the above sections. Many stakeholders cited delays and difficulty getting the City to trust that they were genuine in their needs. Some noted that the State of Ohio Historic Tax Credit program was actually the largest driver of how commercial and residential development happens in the City because City incentives alone cannot come close to accomplishing what is needed.

Again, in this space, the issue of timing was brought up several times by stakeholders. In multiple instances, developers waited over six months to receive a draft development agreement. Developers who

had previously worked with the City had offered to use prior agreements as templates and the City insisted that it must be the first drafter of development agreements and refused drafts from the developer. Stakeholders felt that they are met with skepticism, even if they had worked with the City for years on other projects. Many stakeholders also noted that there was rarely clarity on what was on the table and that the City seemed to want to leverage the abatement process to deliver on other goals, even when the project met all the criteria for the abatement. Others said they would spend months negotiating a development agreement only to be told that “things have changed” and would need to continue negotiating. The lack of expediency, consistency, and reliability is a clear issue that the City must figure out if it hopes to increase housing in a manner necessary not only to grow, but even to simply house those who live here now.

Cincinnati's peer cities are ramping up housing incentives. Columbus recently announced a 100% abatement incentive for housing across the entire city because it acknowledges the need is so great. It is creating far more housing by doing so, while Cincinnati's abatement process is mired in complexity. In Cincinnati, the City has instituted a Voluntary Tax Incentive Contribution Agreement (VTICA) that is largely perceived to be required of developers in order to make it through the process. This is a contribution equivalent of 15% of taxes owed that is placed toward a variety of City Council priorities.

Further, the negotiated agreement between Cincinnati Public Schools and the City of Cincinnati to have developers provide a Payment in Lieu of Taxes (PILOT) of 33% to Cincinnati Public Schools is an impediment to incentivizing new housing. This PILOT is paid for both residential and commercial development. The school district has been adamant that this is necessary to its budget, yet these payments represent dollars that the school board wouldn't have otherwise received had the housing never been built.

Given the extraordinary need for housing in Cincinnati, the City policy on residential abatements should be focused on building as much housing as possible. And based on what the Futures Commission heard from stakeholders, this requirement to of a PILOT is making the Cincinnati market less competitive for housing developers who can choose to invest and build elsewhere. Implementing a policy today that incentivizes the building of as much housing as possible in the near-term has a substantial long-term benefit for the school system of increased property taxes from units that would not have otherwise been built. The City and school system are due to negotiate a new agreement soon and the Futures Commission recommends that if housing is a priority for the entire community, the barrier that the 33% PILOT presents should be examined and addressed.

Between the VTICA and the Cincinnati Public School's PILOT payment, Cincinnati's base incentive is at maximum 52% and this is before the City's own incentive policy reduces the abatement for certain neighborhoods. Again, this does not make sense if the City wants to compete for private housing development. Unfortunately, the City itself cannot develop housing and it would not be wise to have the City do so as there is a lot of risk. Therefore, it must compete with other cities for housing development and right now, the residential incentive program is not achieving what it needs to compete. The Futures Commission believes the City should strengthen its housing abatement policy based on these factors.

Thankfully, the City has yet to reduce the commercial abatement policy in certain neighborhoods as it has on the residential side. The Futures Commission highly recommends that the City act more strategically and competitively with a data driven approach if it wants to change its commercial program. As of now, between the VTICA and PILOT for Cincinnati Public Schools, the incentives are already behind Cincinnati's peers.

Lastly, with the winding down of the pandemic and the increase in hybrid work, the City must think about how to drive greater incentives to job hubs and to industries where full-time in-person schedules are the norm.

SITES FOR GOOD JOBS FUND

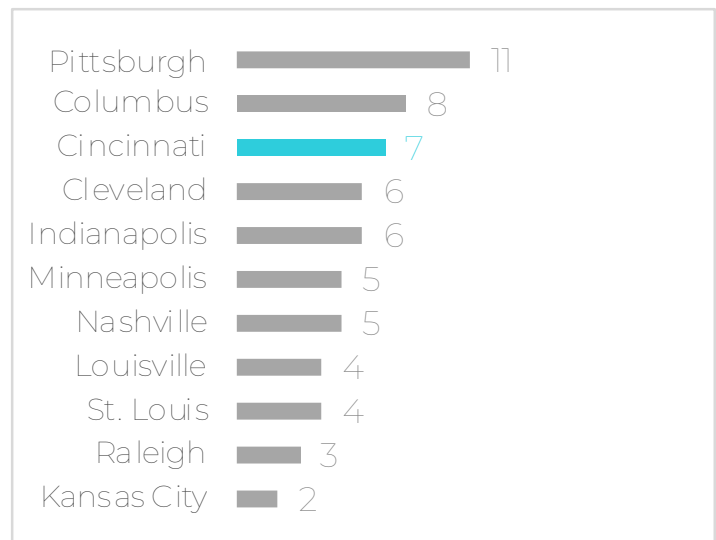
Cincinnati's diverse economy benefits from a broad array of industries where employment exceeds the national averages. Building on a foundation that includes seven Fortune 1000 companies, thriving educational institutions and notable medical centers, Cincinnati flourishes as a hub for commerce. Leveraging regional strengths in areas such as consumer goods, financial services, and life sciences provides the City with many strategic advantages. Targeting corporate headquarters, research and development operations, and technology focused companies will bring talent and high-paying jobs to the region – increasing the City's tax base and impacting economic growth throughout the city. However, Cincinnati must go further by making a concerted effort to expand the city's middle class and provide greater economic opportunity for all citizens.

Relative to peer cities, Cincinnati's lack of overall prosperity is sobering. Cincinnati's median household income stands at 10th out of 11 peer cities. Even worse, Cincinnati experienced the slowest growth in this peer group from 2016-2021. The cause of low wages is multifaceted, but weak labor participation rates, poor educational attainment levels, and the erosion of middle-class jobs in manufacturing and related industries are all contributing factors. This has a predictably negative impact on many Cincinnati residents' overall quality of life, including access to housing, healthcare, and other basic necessities.

Yet Cincinnati has an opportunity to significantly accelerate job and wage growth while becoming a national leader in efforts to attract new manufacturing projects. Cincinnati's manufacturing presence is already notable, as the high concentration of manufacturing employment above national levels is atypical for cities – especially for one with a smaller geographic footprint.

In recent years, macroeconomic and global issues have contributed to Ohio specifically, and the United States more broadly, experiencing rapid growth in manufacturing. State leaders and JobsOhio have aggressively pursued these projects while taking advantage of federal policies that encourage and incentivize domestic manufacturing. A sign of this manufacturing boom is seen through private investment as real manufacturing construction spending has doubled nationally since the end of 2021.

NUMBER OF FORTUNE 1000 HQS WITHIN CITY (2022)



While Cincinnati has strategic advantages in this space, the City should implement a bold plan with partner organizations to address the major issue preventing it from attracting new jobs and investment: the lack of job ready sites. Economic development partners such as the Port, REDI Cincinnati, and JobsOhio all advise that site control and availability are critical issues for attracting new companies, especially in the manufacturing industry. However, the City is facing a dearth of sites that are ready to locate new projects. This is illustrated by the City's inability to respond to most site selection requests. In 2023, the City only submitted seven sites for the nearly 400 opportunities presented to the region for job attraction and expansion.

Fortunately, potential sites do exist. As an established city with a strong history of manufacturing, the city is replete with opportunities that include underutilized land, abandoned commercial properties and contaminated brownfields sites. Many of these sites are already adjacent to essential infrastructure. However, the current condition of these properties is not only bad for neighborhoods and residents but makes it impossible to attract new development until these sites can be acquired, remediated, and marketed for development. As a longtime partner with the city, the Port is well positioned to lead this vital work.

RECOMMENDATION: CREATE A \$100 MILLION SITES FOR GOOD JOBS FUND WITH THE PORT TO IDENTIFY, ACQUIRE, AND INVEST TO IMPROVE SITES WHERE GOOD JOBS CAN LOCATE.

To accelerate job creation and wage growth in Cincinnati, the City should partner with the Port to lead an effort to identify, acquire, and invest in the creation of development ready sites. By pursuing this strategy, the Futures Commission believes the City can significantly increase its ability to compete for new projects.

Survey respondents ranked prioritizing “the increase in availability of well-paying jobs by attracting, retaining, and growing companies in the City” as their second highest priority for city government. This was especially popular among lower-income residents who were more likely to select this option than the average respondent.

A recent analysis by the Port estimated that a \$190 million investment to acquire and improve 500 acres of land could result in the creation of 9,200 total local jobs. In the initial phases, 1,166 construction jobs would be supported annually with average compensation of \$75,000 per year. Demolition, infrastructure, and site readiness work alone is estimated to include economic benefits of \$944 million in total labor income, nearly \$1.2 billion in GDP contributions and \$2.1 billion in gross economic output during the 10-year development period in Ohio.

Once operational, it is estimated that businesses are expected to employ 7,000 advanced manufacturing employees directly with an average compensation of \$78,000 per year. The 9,200 total jobs created includes direct, indirect, and induced employment and generates labor income of \$696 million, GDP contributions of nearly \$1.1 billion, and economic output of \$2.6 billion in steady-state. Overall, it is estimated that this will contribute \$89 million in total state and local taxes annually.

Importantly, this fund would primarily be used for site acquisition while accessing other funding streams to support remediation and site readiness efforts. Traditionally, the Port has had success attracting brownfield and infrastructure dollars to support its work. However, two recent developments highlight the new focus by state and local governments and the increased opportunity for funding.

At the state level, Ohio recently created the \$750 million All Ohio Future Fund to support one-time local infrastructure costs that are necessary to prepare sites for future economic development projects. This

funding, however, cannot be used for land/site acquisition costs, making the city investment essential.

Additionally, through the Bipartisan Infrastructure Law passed in 2021, the federal government is making the single-largest investments in brownfield remediation in our nation's history. At \$1.5 billion, this new investment nearly matches the \$1.6 billion in cumulative brownfield grants from the federal government between 1995-2021.

REDI has also provided additional data to demonstrate the competitive advantage that Cincinnati could create through a site acquisition and development program. While a handful of important Ohio-based mega projects needing thousands of acres have received significant attention in recent years, the majority of site requests are much smaller. In fact, nearly 50 percent of REDI's site requests in 2023 were for less than 50 acres.

REDI SITE REQUESTS (2023)

Acreage Distribution	Percentage of REDI Requests
<10 acres	9/83 (11%)
11-25 acres	14/83 (17%)
26-50 acres	17/83 (20%)
TOTAL <50 acres	40/83 (48%)

CURRENT REDI ELIGIBLE PIPELINE (AS OF 2/2024)

Industry	Jobs
Advanced Manufacturing	1952 jobs (31%)
Aerospace	985 jobs (15%)
Life Sciences	913 jobs (14%)
Food	912 jobs (14%)
IT	870 jobs (14%)

In addition, REDI's project pipeline is overflowing with advanced manufacturing opportunities as well as manufacturing opportunities in industries such as aerospace and food and flavorings.

The long-term viability of the City is tied to its ability to grow and attract jobs and talent while increasing employment opportunities and incomes for city residents. Accelerating economic growth by investing in the creation of job-ready sites is a critical component of this work and has been identified as one of the drivers of growth by the Futures Commission.



INVESTING IN HOUSING & CREATING VIBRANT NEIGHBORHOODS

Cincinnati is a community that distinguishes itself with its diverse and unique neighborhoods. This is, in many ways, a benefit, with pride of place being a core feature of many Cincinnatians who identify first as a resident of their neighborhood before their City. These distinct places also create attractive communities for a wide range of Cincinnatians searching for a place to call home. However, there are downsides to the hyper-local parochialism that exists in Cincinnati, too. Through the Futures Commission's community listening and an analysis of data, the unevenness that exists among Cincinnati's neighborhoods became clear. The citywide gaps between the rich and the poor, black and white residents, and more are all borne out in neighborhoods across the City, and residents are well attuned to those dynamics.

Survey respondents and focus group participants consistently indicate that an increase in housing supply is a main priority. 53% of survey respondents indicated that they would like to see the City prioritize providing more housing options for renters and homebuyers to promote economic growth. When asked about their neighborhoods, City residents would most like to see affordable housing in currently underutilized real estate (48%), with single-family housing as a second priority (41%).



If Cincinnati is going to attract more than 25,000 new residents over the next decade, it cannot do so without dramatically increasing the amount of housing being built in its neighborhoods. That housing needs to be built more densely in places people are already seeking to live, but it also needs to be built in communities that have seen limited or no real estate development in its residential and business districts.

Analysis by the Futures Commission and recent work from the Chamber's Center for Research and Data has confirmed what has long been known – there is a housing shortage in Cincinnati, with too few units available to maintain neighborhoods that are affordable for existing residents and those who are seeking places to live in many of Cincinnati's burgeoning neighborhoods. Over the last decade, fewer than half of all City neighborhoods have had a net increase in new housing units – even in the neighborhoods with the hottest real estate markets. That trend has to be reversed for the City to achieve these growth goals.

The proposed land use plan, discussed earlier, is a critical part of this work. That plan should focus its efforts on land use changes and development in our urban core and across neighborhoods that identify key development sites for housing and jobs. This is a logical next step after the important work already being done on Connected Communities.

But land use and incentive policies alone will not solve the City's neighborhood growth needs. It also requires direct investment of dollars to make projects feasible and seed the ground for growth.

Rank	Benchmark city	Housing permits per 100,000 population
1	Nashville, TN	2,164
2	Raleigh, NC	1,812
3	Minneapolis, MN	866
4	Columbus, OH	680
5	Pittsburgh, PA	670
6	Louisville, KY	446
7	St. Louis, MO	410
8	Kansas City, MO	390
9	Cincinnati, OH	256
10	Indianapolis, IN	240
11	Cleveland, OH	144

Source: Census Bureau, 2022 Building Permits Survey

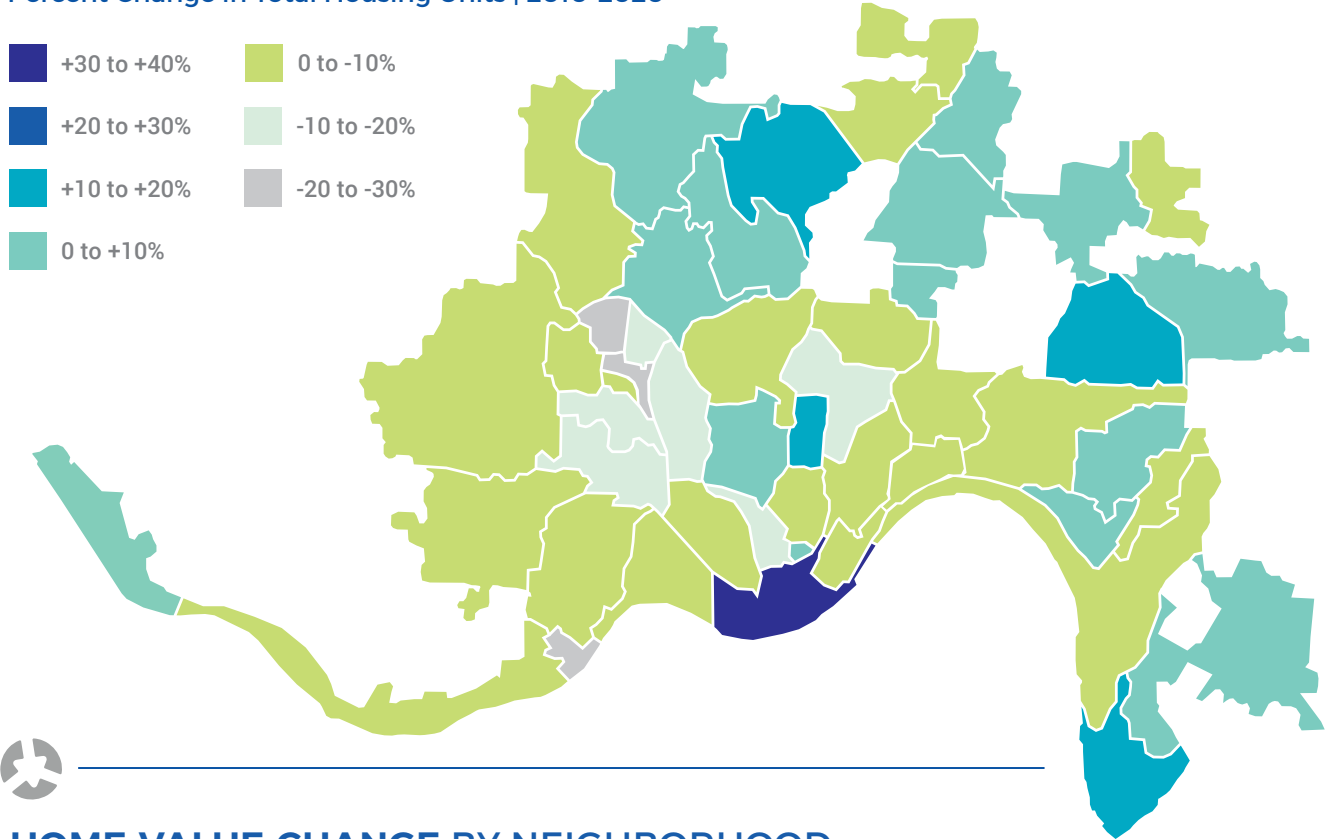
Rank	Benchmark city	Housing cost: percent of housing units where housing costs are <30% of household income
1	Indianapolis, IN	67.2%
2	Kansas City, MO	66.8%
3	Louisville, KY	66.8%
4	Columbus, OH	64.1%
5	Raleigh, NC	63.1%
6	St. Louis, MO	62.9%
7	Pittsburgh, PA	62.7%
8	Nashville, TN	62.2%
9	Minneapolis, MN	62.0%
10	Cleveland, OH	56.8%
11	Cincinnati, OH	56.7%

Source: Census Bureau, 2021 American Community Survey



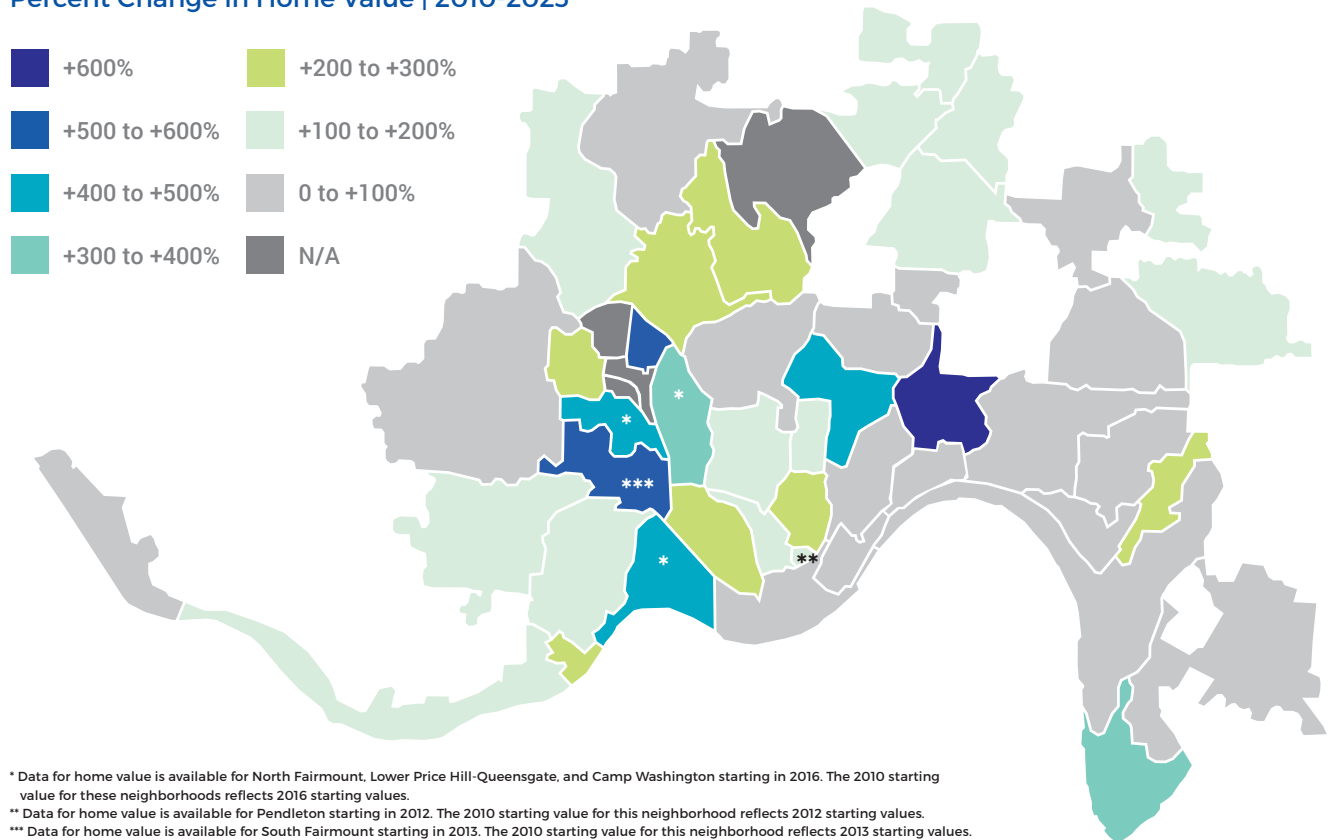
HOUSING UNITS CHANGE BY NEIGHBORHOOD

Percent Change in Total Housing Units | 2010-2020



HOME VALUE CHANGE BY NEIGHBORHOOD

Percent Change in Home Value | 2010-2023



* Data for home value is available for North Fairmount, Lower Price Hill-Queensgate, and Camp Washington starting in 2016. The 2010 starting value for these neighborhoods reflects 2016 starting values.

** Data for home value is available for Pendleton starting in 2012. The 2010 starting value for this neighborhood reflects 2012 starting values.

*** Data for home value is available for South Fairmount starting in 2013. The 2010 starting value for this neighborhood reflects 2013 starting values.

Source: Center for Research and Data at the Cincinnati Regional Chamber

RECOMMENDATION: CREATE A \$50 MILLION NEIGHBORHOOD GROWTH FUND TO ACCELERATE INVESTMENTS IN DEVELOPING NEIGHBORHOODS, WITH TARGETED FUNDING FOR MARKET RATE HOUSING, MIXED USE DEVELOPMENT AND SITE ACQUISITION.

Throughout the Futures Commission's work it became clear that even when neighborhoods had strategies to grow, the biggest inhibitor to that growth was the dollars necessary to gain control of key pieces of real estate or fill gaps in development projects that exist. Catalyzing a new Neighborhood Growth Fund is an essential component of the Futures Commission's economic agenda. This fund is designed to support housing development, business district storefront activation, and the types of mixed-use amenities that drive population growth in corridors and neighborhoods.

"We were looking for a community where our kids could play outside and with a fairly stable school system...We looked in different areas of the city or even closer into the city and we couldn't get the size house we would hope for. We could get about the same size house we were living in Oakley for a lot more money and we were living in 900 square feet. So we were hoping to grow our family. And one of the biggest drivers was that we have a very strong local downtown area [in Milford] that's full of great restaurants and shops. There's not a lot of chains." – C, middle-income non-resident

Much like it has done with the Affordable Housing Leverage Fund, the City should identify a trusted third-party administrator that has the capabilities to vet projects and manage grant and loan awards that spur real estate development in neighborhoods across the City. The Cincinnati Development Fund (CDF) is a logical partner to administer this fund, as their real estate and lending expertise makes it likely that they are already engaged with many of the projects at some stage and have the expertise to vet projects and help the City achieve its investment goals.

The City also has a history of doing this to positive effect. Over the last two decades, the City has used funds when available to help community development corporations acquire land and fill gaps on development. Those early investments were critical to ensuring projects in neighborhoods like College Hill, Madisonville, Walnut Hills, Northside, and more. It has been done to great effect in Over-the-Rhine with the work led by 3CDC.

But the City has never had a consistent and dedicated revenue stream of this size for this kind of Neighborhood Growth Fund. Instead, it has cobbled together a mix of Tax Increment Financing (TIF) funds or federal funds (either from Community Development Block Grant funding or more recently through the American Rescue Plan Act) to support acquisition and development when possible.

The goal is for this fund to be flexible and, where possible, to recoup early investments into projects to ensure that dollars for development can be recycled back into the fund. The Futures Commission believes that a partnership between the City and Community Development Fund can create and administer a fund that is accessible to community development corporations, neighborhood-based developers, the Port, and others. The fund needs to have the right accountability measures to ensure that the outcomes the City are looking for are achieved through the development. It is also important that the fund is flexible to support both property acquisition needs that require speed and gap financing that requires certainty for developers to plan around.

RECOMMENDATION: INVEST \$100 MILLION TO ACCELERATE INVESTMENTS IN THE AFFORDABLE HOUSING LEVERAGE FUND AND OTHER INNOVATIVE PARTNERSHIPS THAT IMPROVE AFFORDABILITY OF HOUSING FOR CURRENT AND FUTURE CINCINNATI RESIDENTS.

The Futures Commission recommends that the City increase its annual investment in the Affordable Housing Leverage Fund at Cincinnati Development Fund from \$5 million per year (via the City's end of year carryover waterfall policy) to \$15 million per year – a net increase of \$100 million in funding over the next decade.

These investments would allow Cincinnati Development Fund, the fund's administrator, to completely leverage the City's funds – ensuring it could provide the funding needed to match competitive federal Low Income Housing Tax Credit (LIHTC) projects, Ohio Housing Finance Agency Bond Gap Financing, and create opportunities to invest in mixed-income and non-tax credit affordable housing projects. These funds – when leveraged to their maximum capacity – could create 500-600 affordable housing units per year.

The value of the Affordable Housing Leverage Fund has been on full display over the last few years – bringing together local funds from the City and Hamilton County with private and philanthropic sources to provide the funding necessary to make Cincinnati development projects competitive for state and federal tax credit programs that are the basis of most affordable housing projects. Creating a dedicated revenue stream for affordable housing will give developers and lenders additional certainty about the resources necessary to make projects work.

Rank	Benchmark city	Housing cost: percent of housing units where housing costs are <30% of household income
1	Indianapolis, IN	67.2%
2	Kansas City, MO	66.8%
3	Louisville, KY	66.8%
4	Columbus, OH	64.1%
5	Raleigh, NC	63.1%
6	St. Louis, MO	62.9%
7	Pittsburgh, PA	62.7%
8	Nashville, TN	62.2%
9	Minneapolis, MN	62.0%
10	Cleveland, OH	56.8%
11	Cincinnati, OH	56.7%

Source: Census Bureau, 2021 American Community Survey

- Residents identified the cost of living and housing affordability as the top two reasons they would consider moving out of the City.
- 52% of respondents to our survey indicated that the City should provide more housing options for renters and homebuyers as a way to catalyze economic growth.

“The realist in me who is working on a nonprofit, social workstyle salary, is worried for how I'm going to sustain life in Cincinnati. The only reason I was able to buy was because I went to Kentucky, used a first-time homebuyers grant, and took advantage of the pandemic interest rates.” –A, young professional non-resident

RECOMMENDATION: SUPPORT ADDITIONAL CAPACITY BUILDING AT THE COMMUNITY DEVELOPMENT LEVEL BY INCREASING OPERATIONAL FUNDING VIA HOMEBASE.

The Futures Commission recognizes the value of community development to drive growth, but the current state of the Community Development Corporations (CDC) landscape is an impediment to accelerating growth in Cincinnati. That's why the Futures Commission is recommending that the City increase its investments in Homebase to support the operations of CDCs. Homebase is an organization dedicated to strengthening Community Development Corporations so that they can enhance neighborhoods through community building, housing, and economic development efforts.

There is a strong correlation between the communities that have high functioning and productive CDCs and the places where the City's growth is happening. Currently, the capacity of CDCs across the City is uneven at best, with small shifts in staffing or talent driving the effectiveness of the CDC's ability to operate successfully in neighborhoods. Too often, this leaves the Port or others to step to neighborhoods and take on development services far beyond the natural and productive partnership they have with high performing CDCs.

The Futures Commission recommends increasing funding to Homebase by **\$500,000 annually (\$5 million over 10 years)** to build capacity and strengthen the pipeline of talent that will allow the community development ecosystem to grow – ensuring neighborhoods have the people and resources necessary to drive development in their communities.

As it ramps up its investment, the City should encourage further alignment and collaboration with the Port among Homebase and CDCs. The Port has experience and tools that could accelerate the work of CDCs and many of the CDCs exist in areas where the Port will be implementing its residential and industrial site strategies across the City. Ensuring coordination is key to getting the most out of these investments.

CREATING A MORE EQUITABLE ECONOMY

Driving the City's economy forward will require an intentional focus on improving the outcomes for the nearly half of all residents who are not white. The analysis of the City's current state made clear that Cincinnati has the widest gap between the median income of white and black households and was last among peer cities in the education gap, with fewer black residents holding bachelor's degrees or higher compared to white residents. Alarming, the City is also last when benchmarked on the ratio of the mean income of the top 20% of households compared to that of the bottom 20% of households. These disparities represent both a wide income gap that needs to be closed, but also the lack of a middle class that needs to be both attracted to the City and expanded by supporting residents who already live here.

Rank	Benchmark city	Ratio of mean income of top 20% versus bottom 20% of households, 2021
1	Columbus, OH	13.4
2	Indianapolis, IN	14.5
3	Kansas City, MO	15.4
4	Louisville, KY	15.9
5	Nashville, TN	17.4
6	Raleigh, NC	18.6
7	Minneapolis, MN	18.8
8	Cleveland, OH	21.4
9	St. Louis, MO	24.0
10	Pittsburgh, PA	26.5
11	Cincinnati, OH	29.4

Source: Census Bureau, 2021 American Community Survey

Rank	Benchmark city	Median female earnings as share of median male earnings
1	Minneapolis, MN	94.7%
2	Nashville, TN	89.5%
3	Raleigh, NC	82.1%
4	Columbus, OH	82.0%
5	Indianapolis, IN	81.4%
6	Cleveland, OH	81.0%
7	St. Louis, MO	80.8%
8	Louisville, KY	79.8%
9	Kansas City, MO	76.3%
10	Pittsburgh, PA	74.8%
11	Cincinnati, OH	71.7%

Source: Census Bureau, 2021 American Community Survey

Rank	Benchmark city	Ratio of percent of Black residents with a bachelor's degree or higher to percent of White residents with a bachelor's degree or higher
1	Nashville, TN	0.58
2	Indianapolis, IN	0.57
3	Louisville, KY	0.53
4	Raleigh, NC	0.51
5	Cleveland, OH	0.45
6	Columbus, OH	0.44
7	Pittsburgh, PA	0.40
8	St. Louis, MO	0.37
9	Kansas City, MO	0.35
10	Minneapolis, MN	0.30
11	Cincinnati, OH	0.26

Source: Census Bureau, 2021 American Community Survey

Rank	Benchmark city	Foreign-born share of population
1	Columbus, OH	15.1%
2	Raleigh, NC	13.8%
3	Minneapolis, MN	13.7%
4	Nashville, TN	13.6%
5	Indianapolis, IN	10.9%
6	Louisville, KY	9.9%
7	Pittsburgh, PA	8.6%
8	Kansas City, MO	8.0%
9	Cincinnati, OH	6.9%
10	St. Louis, MO	6.2%
11	Cleveland, OH	5.7%

Source: Census Bureau, 2021 American Community Survey

Rank	Benchmark city	Share of Black workers in management occupations
1	Pittsburgh, PA	9.2%
2	Kansas City, MO	8.5%
3	Raleigh, NC	8.3%
4	St. Louis, MO	8.1%
5	Columbus, OH	8.0%
6	Indianapolis, IN	7.6%
7	Nashville, TN	7.1%
8	Cincinnati, OH	6.5%
9	Cleveland, OH	5.7%
10	Minneapolis, MN	5.6%
11	Louisville, KY	5.5%

Source: Census Bureau, 2021 American Community Survey

Rank	Benchmark city	Percent of Black households with income \$75,000 or higher
1	Raleigh, NC	30.7%
2	Nashville, TN	27.6%
3	Columbus, OH	24.2%
4	Louisville, KY	23.2%
5	Indianapolis, IN	23.2%
6	Pittsburgh, PA	21.8%
7	Kansas City, MO	21.8%
8	Minneapolis, MN	19.8%
9	St. Louis, MO	16.6%
10	Cleveland, OH	13.8%
11	Cincinnati, OH	13.4%

Source: Census Bureau, 2021 American Community Survey

Rank	Benchmark city	Ratio of median income between White and Black households
1	Indianapolis, IN	1.5
2	Nashville, TN	1.5
3	Columbus, OH	1.6
4	Cleveland, OH	1.7
5	Louisville, KY	1.7
6	Kansas City, MO	1.9
7	Raleigh, NC	2.1
8	St. Louis, MO	2.1
9	Pittsburgh, PA	2.3
10	Minneapolis, MN	2.4
11	Cincinnati, OH	2.6

Solving these problems will take structural changes in the City's economy, only some of which the City controls. However, the Futures Commission believes there are two critical things the City should do to dramatically reduce these disparities.

The first is the dramatic investments the City is making to invest in sites that will attract good paying jobs to Cincinnati, which was detailed previously in this report. Successfully cultivating an advanced manufacturing sector in Cincinnati, for example, will bring jobs to the City that have an average annual income of \$65,000, significantly higher than the City's current median household income of \$49,000. Importantly, many of these jobs do not require a four-year degree, making them accessible to the 60% of residents who do not have a bachelor's degree or higher, while also being geographically accessible. This significant investment to attract these jobs will support the Futures Commission's goal of increasing incomes for City residents.

SCALING MINORITY BUSINESS INVESTMENTS

The City should also couple its investments in creating high-paying jobs with investments that directly support the growth of minority-owned businesses in Cincinnati. In the Cincinnati region, only 7.7% of businesses that have been open for six or more years are minority-owned, ranking eighth among its peers.

RECOMMENDATION: SCALE THE COLLABORATIVE LINCOLN & GILBERT INITIATIVE WITH A \$25 MILLION FUND TO SUPPORT TRUSTED PARTNERS WHO ARE INCREASING EQUITABLE GROWTH THROUGH BUSINESS DEVELOPMENT.

Fortunately, a bold initiative already exists that is working to double the number of Black employer firms in Cincinnati to more than 1000. The Lincoln & Gilbert Initiative is a partnership of the Urban League of Greater Southwestern Ohio, The Minority Business Accelerator, The African American Chamber, MORTAR, The Greater Cincinnati Microenterprise Initiative, and Lightship Foundation. By working together, the Lincoln & Gilbert Initiative directs entrepreneurs to growing industries and sectors, identify gaps in the market, avoiding program duplication, supplying infrastructure and back-office support to businesses, providing technical assistance, and creating an ongoing vehicle for sharing resources and best practices. Much like it has recommended elsewhere, the Futures Commission recommends investing in these trusted partners to drive growth.

The City's investment will be the first opportunity to invest flexible, local dollars in this initiative. Previous programs from the City have come from federal investments that have forced the partner organizations to fit their programming and strategy into complicated federal spending requirements, limiting their impact or redirecting their focus.

To ensure that the efforts meet its bold goals, the City should work with the partners to develop accountability structures and an updated strategy that ensures each of the initiative's partners is aligned and these investments drive meaningfully toward their goal of growing Black employer firms.

When successful, the initiative targets a goal of nearly 10,000 new jobs created by minority businesses with more than \$615 million in earnings from Black businesses. These outcomes would have a transformative impact on the owners and employees at these companies and represent more than twenty percent of the Futures Commission's overall job creation goal.

Rank	Benchmark city	Percent of businesses with 6+ years that are minority owned (metro-level data)
1	Raleigh, NC	16.8%
2	Columbus, OH	14.5%
3	Nashville, TN	13.2%
4	St. Louis, MO	11.4%
5	Kansas City, MO	11.3%
6	Indianapolis, IN	10.8%
7	Louisville, KY	8.5%
8	Cincinnati, OH	7.7%
9	Cleveland, OH	7.6%
10	Minneapolis, MN	7.3%
11	Pittsburgh, PA	5.8%

Source: Census Bureau, 2020 Annual Business Survey

Focus group participants want to see more equity throughout the City, with an intentional focus on supporting and increasing minority owned businesses. Participants suggested creating a grant program or supporting existing grant programs that are focused on assisting grassroots organizations and diverse business owners.

One participant shares "When I hear my friends in Atlanta or North Carolina, and they're talking about, it's these flourishing cities for Black people, where a lot of people are business owners, and they're Black, a lot of people are helping each other as a community. It feels really isolated here."

Another small business owner expresses "I hope that the city will intentionally and deliberately invest in expanding access and opportunity for leadership and pathways to leadership for Black and brown entrepreneurs, creatives and people who really have incredible visions for how they want to shape the city, I think there's so much power in that."

INVESTING TO DRIVE GROWTH

The Futures Commission is committed to seeing the City move forward on investing in the drivers of growth detailed in this section.

RECOMMENDATION: CREATE A TIMEBOUND, LIMITED EARNINGS TAX OF 0.1% TO FUND INITIAL \$240 MILLION PORTION OF ECONOMIC GROWTH AGENDA.

If approved by voters, this would create a dedicated revenue stream to support growth in the Cincinnati region, spurring the economic impact – both to the City and the overall economy – that was laid out at the beginning of this report. That opportunity to grow City revenues with these investments, the Futures Commission also recommends that this tax be timebound, providing voters an opportunity to review the need for this revenue and the priority investments in the future.

The expected revenue from a 0.1% earnings tax does not alone cover the proposed investments. For that reason, the Commission is recommending that the earnings tax revenue is invested in the drivers of growth at the following rates, with the rest of the recommended revenue being delivered to these funds from the proposed divestitures of City assets and real estate detailed later in this report. Combined, those two revenue streams provide ample resources to support the Futures Commission's growth agenda.

EARNINGS TAX INVESTMENTS

- **\$100 Million for Sites for Good Jobs**
- **\$80 Million for Affordable Housing**
- **\$40 Million for Neighborhood Growth Fund**
- **\$20 Million for Lincoln & Gilbert**

RECOMMENDATION: THE CITY SHOULD SELL OR MONETIZE CERTAIN ASSETS COMPLETELY AND UTILIZE THE REVENUE TO SUPPORT ECONOMIC GROWTH GOALS. IN OTHERS, IT SHOULD UTILIZE THE ASSET TO INCENTIVIZE GROWTH OR DEVELOPMENT ON THAT PIECE OF REAL ESTATE. THE CITY SHOULD ESTABLISH A SHORT-TERM TASK FORCE TO ASSESS THESE OPPORTUNITIES.

In the next section of this report, the Futures Commission will detail each of these assets. Based on the wide ranges of valuation for the assets, the Futures Commission took a conservative estimate of the potential value that the City could drive toward Economic Growth from these opportunities. The Futures Commission estimates the potential one-time revenue from these efforts at **\$34.5MM** worth of funding to be dedicated to the drivers of growth laid out in this report.

CONTINUING TO INVEST IN AREAS OF STRENGTH

ARTS AND CULTURAL VIBRANCY SHOULD REMAIN A PRIORITY

Cincinnati benefits from a strong arts economy, recently estimated as having a more than \$1.6 billion impact over the past four years in a report commissioned by ArtsWave and produced by the Cincinnati Regional Chamber's Center for Research and Data. The ArtsWave campaign, led annually by CEOs and community leaders, generates funds to support more than 150 organizations, artists, and projects that grow vibrancy in Cincinnati. The Futures Commission agrees with the broad community sentiment that it heard throughout its focus groups that arts and culture is a distinguishing element of the city's offerings when compared to peers and that the City should continue to support and strengthen its arts and culture economy.

When survey respondents were asked to rank the city on quality of life attributes, sports and entertainment, cultural and social amenities, and cultural diversity in the community were ranked highest among City residents, with over 75% ranking these as good or excellent.

When asked how survey respondents would describe the city, 49% chose to describe it as a “premier sports city”, 48% described it as “food and beverage destination, 45% described it as “arts and culture destination” 39% described it as “cultural diversity in the community”

“I’m from Cincinnati. I lived in New York City for about seven years and then moved back here. And I think that it’s the ability not only to engage with things that you love, whether that art, sports, whatever, but there is an ease of access to it, that doesn’t exist in other cities...” - G, Middle-Income Resident



STADIUMS, CONVENTION CENTER, AND THE ARENA

While not in the Futures Commission’s purview, the Commission talked about the economic advantage Cincinnati possesses by having top-tier soccer, baseball, and football, all in facilities near the City’s economic core. In addition, the Commission understands that a civic collaboration led by the Chamber, CBC/CRBC, 3CDC, Port, and Visit Cincy, as well as the City and County, are currently examining the prospects for a new, state-of-the-art arena. The Futures Commission believes that stadiums, with their professional sports teams, and a modern arena are important assets to the City’s economy, brand, tourism sector, and regional pride. During the Commission’s work, 3CDC finalized the plan with the City and County to build a Convention Headquarters Hotel and a renovation of the Duke Energy Convention Center. These are critical projects that will have a positive effect on the City’s economy for decades to come.

“If 10 years from now we haven’t figured out the arena and getting a new arena in the city, that’s going to be a major missed opportunity for the city...We should be hosting first round or second round, Sweet 16 for March Madness...Back in 2004-2005, when Cincinnati was trying to get one of the conventions, and right away, lost out on it because you don’t have the right type of arena...I just want to be downtown or live downtown or live in the city closer to downtown because that’s where everything is going on.” –G, upper-income resident

“I love the Bengals...I just love all the sports here in general. It’s fun to have so many great teams.” –B, low-income resident

DOWNTOWN AND OVER-THE-RHINE

Thanks to the leadership of 3CDC, the City's urban core has seen a transformational renaissance since the early 2000s. This renaissance has created jobs and hundreds of new businesses, increased tourism, helped attract talent to the City, and created places that Cincinnatians feel deep connection to. The efforts of 3CDC have been a tremendous success, and its work is not done. The Futures Commission believes the City should continue its strong and successful partnership with 3CDC to address important development projects in the urban core, and to ensure the public spaces that drive traffic and economic activity are maintained, vibrant, and safe, for generations to come. The City should not lose sight of the fact that 3CDC is a strategic advantage that Cincinnati has over cities across the United States, allowing it to move quickly and solve critical and high-profile challenges that face downtown and Over-the-Rhine.

"One of the things I have energy for is just how livable the city is... It's affordability, it's what I would call championship athletics- professional teams and new professional teams that are making a difference in the community. It's companies like GE with aerospace technology and Children's with the premium care for the kids. It's companies like Procter and Gamble, and UC investing back in the community, [and] it's an incredible park system that I think make it such a livable city." –J, upper-income resident

CATALYZING GROWTH IN UPTOWN

There are multiple sections of this report that reference the economic potential of Uptown. Throughout this work, Commissioners underscored the critical importance and economic potential of the area described as Uptown, inclusive of the Innovation District, the extended University of Cincinnati campus, the hospitals, and neighborhoods such as Avondale, Clifton, CUF, and Corryville. This is the second largest job hub in the region, and still has growth potential for jobs, residents, and commercial activity. The University of Cincinnati and Cincinnati Children's Hospital attracts talent to Cincinnati, and creating an economically and culturally vibrant Uptown will help retain students and others to the City. Uptown has benefitted from partnership with JobsOhio, new transportation and transit infrastructure, and recent commercial development. Throughout its work, the Futures Commission heard feedback that the City should focus more of its efforts both on supporting the job growth opportunities and working with partners on placemaking and residential development in Uptown, making it a true, urban destination. In short, the Commission believes the City should strategically consider Uptown as important as it has considered downtown/OTR in the past twenty years and ensure that those two job centers are connected more synergistically. The City should seek to partner and support the myriad efforts that are designed to accelerate development activity in the area. The Commission encourages heightened collaboration and coordination between Uptown leaders and downtown stakeholders to help drive these efforts forward.

SUMMARY OF ECONOMIC GROWTH INVESTMENTS

Investment	One-Time Cost	10 Year Analysis
Development Process Review	\$1,000,000	
Updated Land Use Plan	\$1,500,000	
Office of Strategic Growth		\$10,000,000
Sites for Good Jobs Fund		\$100,000,000
Neighborhood Growth Fund		\$50,000,000
Affordable Housing Fund		\$100,000,000
CDC Capacity Growth		\$5,000,000
Lincoln & Gilbert Fund		\$25,000,000
Total:	\$2,500,000	\$290,000,000



CHARTING A FISCALLY SECURE FUTURE

The Cincinnati Futures Commission spent much of its time reviewing the City's budget and financial outlook for the next ten years. Led by Tim Spence, Chairman and CEO of Fifth Third Bank, the Financial Review Workstream evaluated dozens of scenarios and recommendations to reform the City's budget to create a structurally balanced budget for the next decade and position the City for accelerated growth during this time frame.

This process included meetings with City administration officials, comprehensive peer city benchmarking, deep-dive discussions with the Futures Commission's staff and analysis of City financial projections over ten years.

From the start, the Futures Commission was struck by the enormity of three significant threats facing the City.

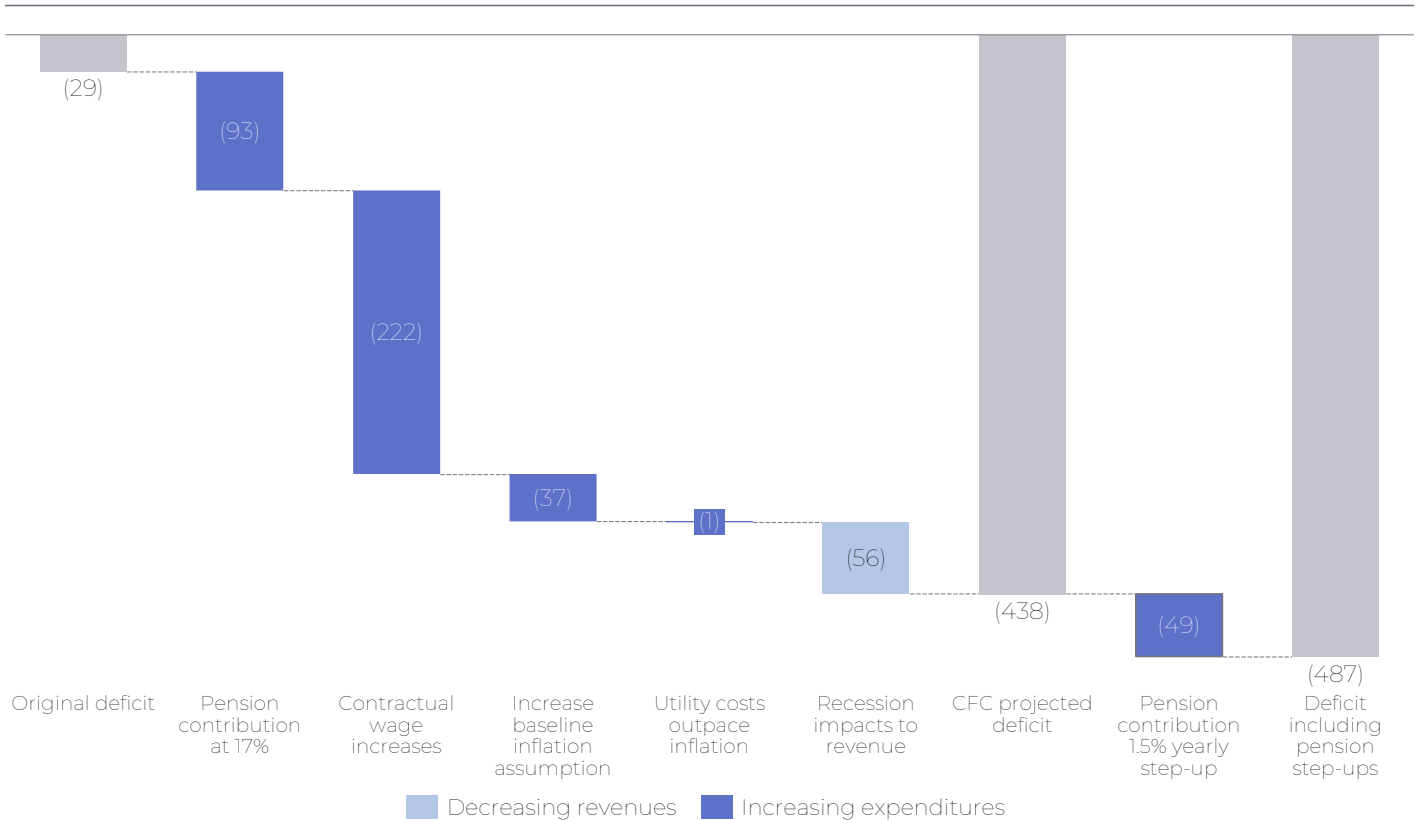
First, the Futures Commission confirmed the severity of the projected operating deficit over the next ten years, largely due to escalating personnel costs, inflation, and overall slow growth in the City's economy. This deficit is exacerbated by rapidly changing work trends where employees are working remotely or in a hybrid environment, with many working from locations outside city limits. The Futures Commission worked from an estimated \$438 million deficit over ten years, not counting increased pension contributions that would be required to solve the pension funding crisis as discussed below.

Importantly, the Futures Commission also assessed scenarios where the City lost a significant percentage of its commuters to work-from-home or other job loss scenarios. In that instance, the City’s operating deficit would be significantly larger, totaling nearly \$1 billion over the next decade. While that scenario is not the one the Futures Commission believes to be most likely and isn’t the one it used to develop its recommendations, the City should not lose sight of the downside risk if it does not make efforts to attract residents who live in the City and continue to invest in the vibrancy necessary to make Cincinnati a place where businesses can effectively attract employees back to the office.

Second, the City’s deferred capital maintenance deficit was a significant warning sign. Over decades, the City has allowed its infrastructure to deteriorate and absent a significant infusion of funding, the City’s capital deficit seemed insurmountable and a barrier to growth. Fortunately, during the process, and thanks to political leadership and the support from a broad civic and business coalition, the Cincinnati Southern Railway sale was approved by voters and the City’s deferred capital maintenance deficit is largely solved. The Futures Commission addresses this in depth later in the report.

Finally, and most concerning, the City’s pension fund is underfunded and would require significant increases in contributions from the City to reach fully funded status by 2045, as agreed to when the City settled its pension matters in federal court in 2015. The Futures Commission quickly determined that the City must prioritize transferring the Cincinnati Retirement System (CRS) to the Ohio Public Employees Retirement System (OPERS).

Drivers of GF deficit, FY24 – FY33 cumulative (\$ in M)



WITH THESE THREE OUTSTANDING ISSUES, THE FUTURES COMMISSION OPTED TO FRAME ITS FINANCIAL REVIEW WORK WITH THREE PRIORITIES:

Eliminate the \$438MM operating deficit through a series of efficiencies, asset monetization initiatives, revenue redeployment and modest new revenue.

Address the primary balance sheet liability—the pension— in a manner that eliminates it as a long-term threat permanently. With careful management of the railroad fund, ensure that deferred capital does not become a liability in the future again.

Create funding capacity to invest in growth initiatives.

In the following pages, this report identifies a series of recommendations from the Futures Commission that could achieve all three.

ALIGNING CORE OPERATIONS

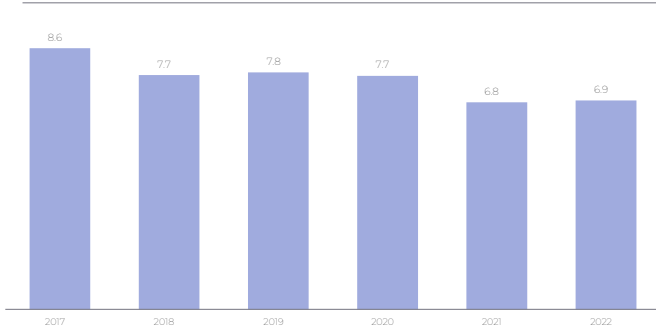
The Cincinnati Futures Commission heard clearly throughout the process that Cincinnati valued its public safety departments, and overall believed that strong and well-funded Cincinnati Police and Fire Departments are critical to the overall health of the City.

Public safety has generally remained the number one priority for residents of the City of Cincinnati for several years in surveys and the safety of the community is imperative for attractiveness and growth. Residents overall are satisfied with public safety services and rank each of them highly in surveys that the City previously conducted and that the Cincinnati Futures Commission conducted during its work.

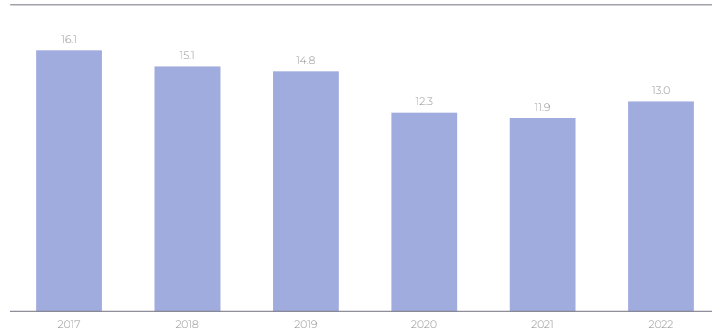
Among peer cities, the City of Cincinnati has generally lower crime rates. However, several stakeholders highlighted incidents in the City's urban core, as well as youth violence throughout the City, and the need for traffic speed enforcement to keep pedestrians safe as evidence that there are particular areas of concern. For residents and visitors, the need to ensure a safe environment is paramount to the City's future.

- Based on Net Promotor Score questions, survey respondents believe that the City's Fire Department services are the most essential compared to other services (NPS = 54%).
- Following Fire Department services with the highest level of “promoters” (62%), the City's Health Department and police services have the 2nd highest level of “promoters” with respect to their importance (58%).
- City Residents are more satisfied with the Police Department services than non-residents (47% of City Residents are “promoters” vs. 29% of Non-Resident Commuters and 27% of Metro Residents).
- Cincinnati residents feel satisfied with fire services. 48% of City Residents rate it a 9 or 10

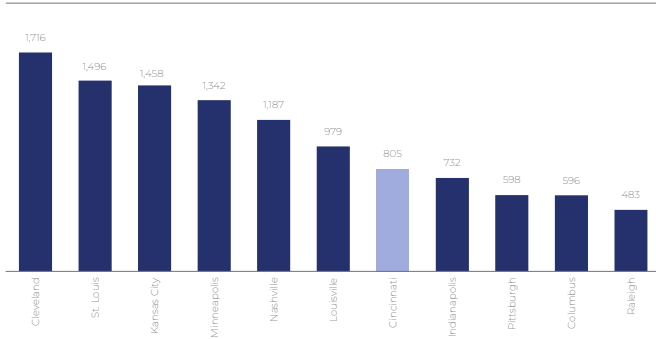
Violent crime volume in Cincinnati
(in thousands)



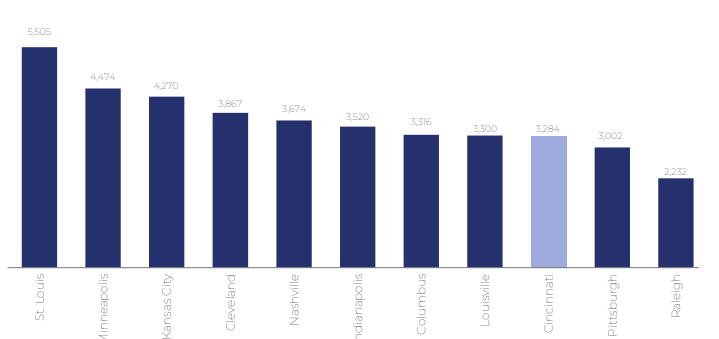
Property crime volume in Cincinnati
(in thousands)



Violent crime rate per 100,000 (2021)



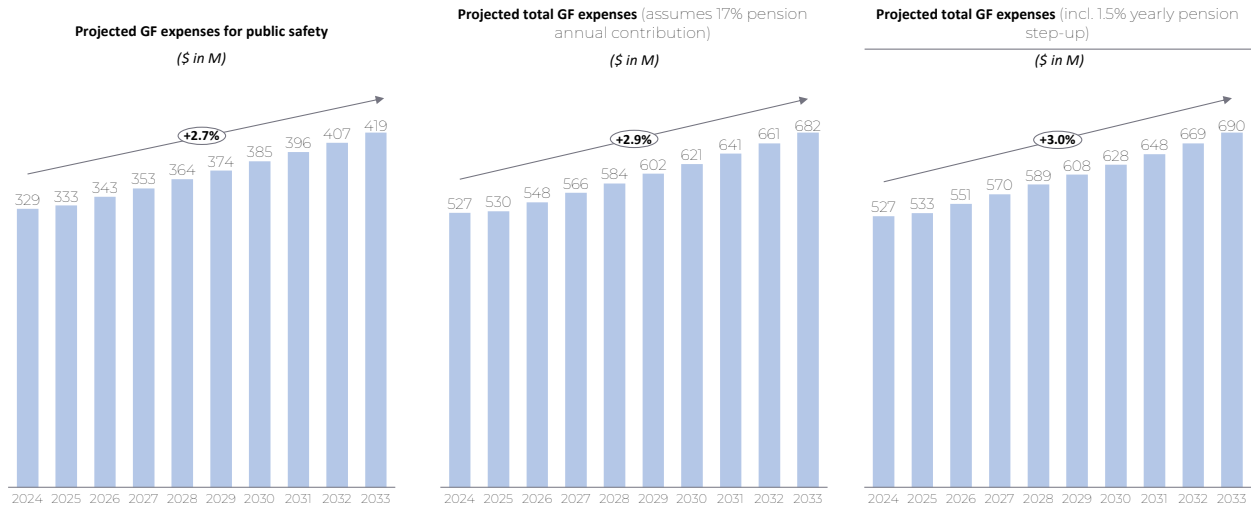
Property crime rate per 100,000 (2021)



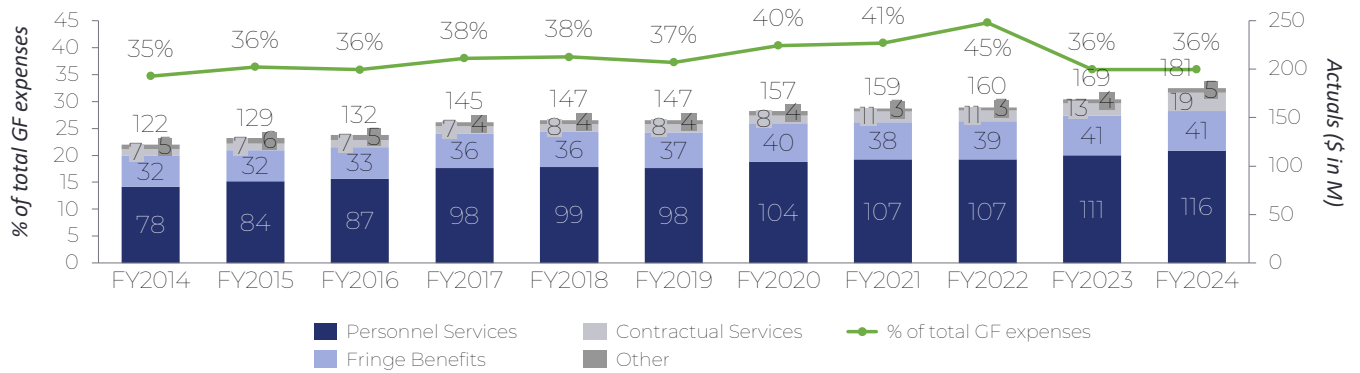
The Futures Commission observed that public safety (the Police and Fire Departments) spending accounted for approximately 65% of the City’s general fund budget. The Cincinnati Police Department accounts for 36% of the budget and the Cincinnati Fire Department accounts for approximately 29% of the budget. While in the past this large percentage has been criticized, the Futures Commission largely saw this as an indication that the City is prioritizing funding of basic services that its citizens and visitors value most.

The Futures Commission also explored the rate of growth in the Cincinnati Police and Fire Departments, and based on data, recommends that the City hold its rate of growth for Police and Fire to 2.7%. For the past ten years, each of these departments has seen rates of growth that outpace inflation, sometimes significantly. The Futures Commission recommended rate of growth allows for continued negotiated increases, full complements, and adequate public safety services, and it requires the City to explore various efficiencies within each department.

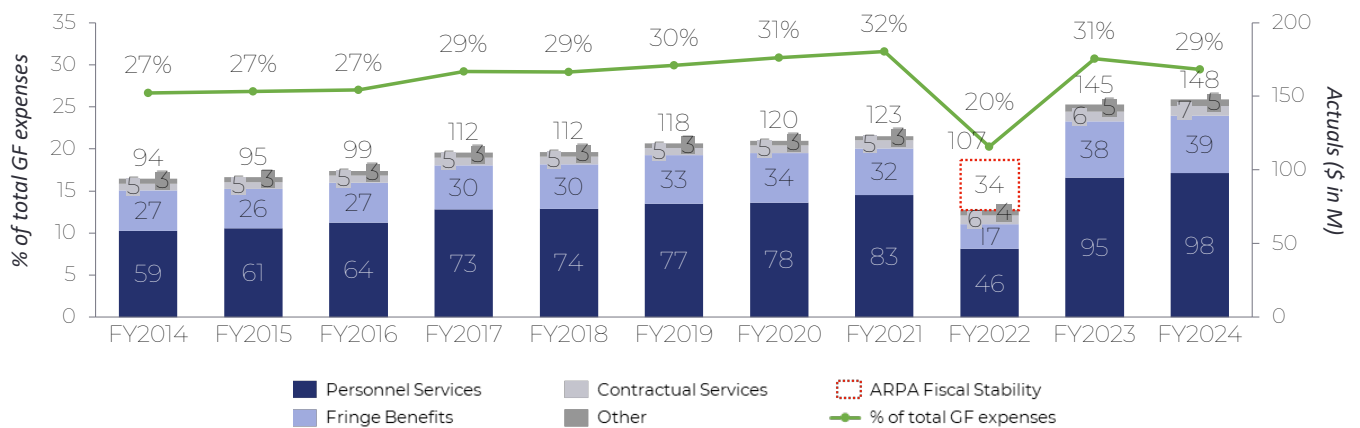




Total GF expenses for Police Department, 2014 – 2024 (\$ in M)



Total GF expenses for Fire Department, 2014 – 2024 (\$ in M)



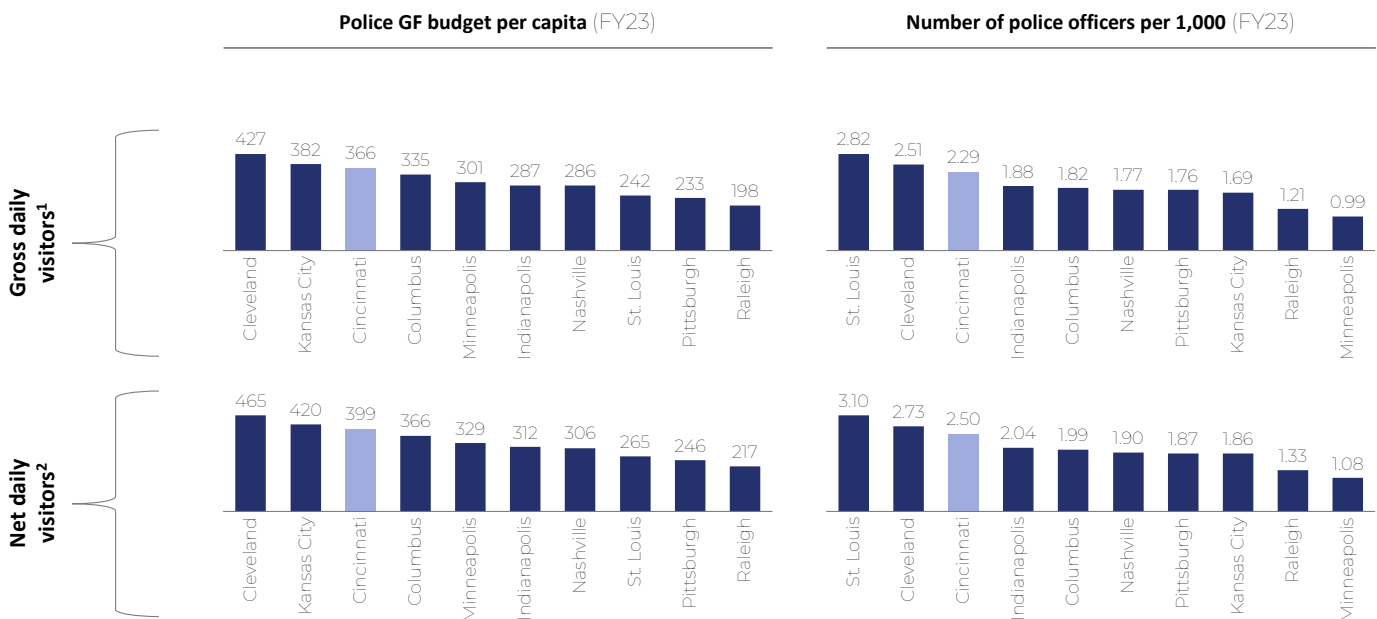
RECOMMENDATION: CONDUCT INDUSTRY-SPECIFIC ASSESSMENTS OF CINCINNATI POLICE AND FIRE DEPARTMENTS AND MODERNIZE BILLING PROTOCOLS.

While the Futures Commission reviewed enough data to suggest that holding Police and Fire spending to a 2.7% rate of growth was appropriate, the Commission believes more granular studies will identify needed reforms and efficiencies within these departments.

The Futures Commission recommends that each department conducts a specialized study of operations, spending, and staffing assignments. Fire and Police operations are highly specialized and nuanced, and neither department has had an in-depth study of operations and staffing models in more than fifteen years. The Futures Commission believes that a 2024 study of Police and Fire operations will identify best practices, available technical solutions, and adjustments to staffing models to maintain superior service levels and reduce costs. The Futures Commission expects that a detailed study of each department will yield at least **\$17.6 million in savings over ten years**, while still allowing for a modest rate of growth in the department.

POLICE EFFICIENCY

The City and many stakeholders are rightfully proud that the City has remained committed to the Collaborative Agreement and its principles for community-based policing. Indeed, the Collaborative ensures that Cincinnati is lauded nationally for policing standards and community engagement. Despite the detailed analyses, the City has not conducted a formal review of staffing methodology in several years and the Commission’s experts believe there are savings that can be identified while maintaining the high standards set by the Collaborative and the Department leadership. In particular, the City should direct the Police Efficiency Study to identify roles that could be civilianized in order to direct the highest percentage of sworn officers to be on the street.



In addition, the City should explore its labor contracts in detail. Commissioners and staff identified several policies related to long-term pay structures that could be examined as part of this efficiency study. Commissioners were briefed on the current practice of calculating overtime hours daily instead of per pay period and the structure of lump-sum leave payouts upon ending service with the City.

FIRE EFFICIENCY

The last study of Fire Department efficiencies was conducted in the mid-2000s and the City declined to implement many of the recommendations. Commissioners encourage the City to update this study and ensure that the study takes into account the unique geography of City neighborhoods, the needs of citizens in a dense urban environment, and the importance of attracting and retaining a top-notch fire complement.

During the review, Commissioners were briefed about the number of firefighters on each truck and the protocols for what incidents require fire trucks to be dispatched. In addition, the City's fire inspection fees seem to be lower than peer cities. After initial review of these programs, Commissioners agreed that an in-depth study by a specialized consultant in the fire industry would be useful to the department in identifying savings.

Like with Police, Commissioners urge the City's Fire Department Study to consider its labor contracts and conduct peer city benchmarking.

Potential Savings: \$17.6+ million over the decade

BILLING FOR EMERGENCY MEDICAL SERVICES (EMS)

During the Commission's work, Commissioners were briefed on new standards related to EMS billing. The Futures Commission recommends that the City adjust its policies around EMS fees and reimbursement for runs. It is currently not capturing the revenue that other cities are realizing through federal programs.

Based on this, it is estimated that Cincinnati could conservatively achieve approximately \$18 million in additional reimbursements over the next decade through the implementation of the Ground Emergency Medical Transport program. This program aims to assist states in covering the costs associated with emergency medical transportation services, particularly for Medicaid beneficiaries, and those savings are passed down to the cities that provide the services in states where this has been implemented. By participating in the program, states can receive federal matching funds to support their Medicaid providers in delivering essential emergency medical transport services. The Commission recommends that the City advocates that the State of Ohio submit a plan to the federal government to apply for the program to achieve these reimbursements.

Potential Savings: \$18+ million over the decade

INVESTING IN PUBLIC SAFETY

The Cincinnati Futures Commission believes that public safety in Cincinnati is a foundational imperative for the City's ability to grow in the coming decades and believes that the City must prioritize Police and Fire departments that are able to meet the needs of residents and visitors to the City.

Even with the efficiencies identified in this report and capping the rate of growth in Police and Fire at 2.7%, there are no reasonable or palatable options to solve the City's overall budget deficit without impacting the services delivered by the public safety departments. Therefore, to both solve the City's budget challenges for a decade and maintain superior public safety services, the Futures Commission recommends a modest, timebound earnings tax increase.

RECOMMENDATION: CREATE A TIMEBOUND, LIMITED EARNINGS TAX OF 0.05% EARNINGS TAX TO SUSTAIN PUBLIC SAFETY FUNDING.

The Futures Commission believes that this modest increase in the earnings tax for public safety purposes is a reasonable alternative to what would be far worse solutions: closing firehouses, reducing the police complement, or cutting further into non-public safety funding, jeopardizing parks, recreation centers, public services, or other basic city services. Considering these alternatives, the Commission agreed the best way to solidify the City's fiscal position over the next decade was to invest in public safety, creating a foundation of resources to support the 65% of the budget that public safety makes up.

This recommendation was not without controversy, with some Commissioners opposed to additional tax increases and others believing it did not provide enough funds for these two departments. The Commission strongly believes in a number of principles that condition its support for a Police and Fire levy:

- The City must commit to conducting both the Police and Fire efficiency studies
- This earnings tax should be timebound, ensuring that voters can continue to weigh in on the largest portion of the City budget and ensure accountability of City officials. Importantly, the Futures Commission believes that the growth from other recommendations in this report could reduce the need for this levy in the next decade.
- The Commission believes that the 2.7% rate of growth in Police and Fire is appropriate, and that this new revenue should not result in existing public safety dollars being shifted elsewhere, jeopardizing the complement and resources available to the citizens. For this reason, the Futures Commission is recommending that the revenue resulting from the Police and Fire levy is tied to a spending floor. Meaning that if the budget for public safety is reduced below a certain year's spending levels (adjusted for inflation), the earnings tax would immediately cease to be collected.
 - There is precedent for this: the 1980s infrastructure earnings tax increase created a similar floor, and the City has consistently tracked its spending to ensure compliance.
- As stated throughout, the City should see this report as holistic and not pick and choose pieces of the report to implement or disregard. Support for the timebound Police and Fire levy is contingent on the City doing the work to implement the overall operational efficiencies related to its budget.

RECOMMENDATION: TAKE ADVANTAGE OF SHARED SERVICES OPPORTUNITIES FOR CINCINNATI RECREATION COMMISSION AND CINCINNATI PARKS.

CINCINNATI PARKS & CINCINNATI RECREATION COMMISSION

The City of Cincinnati is unique in the way that its Parks and Recreation Departments are structured. In most US cities, the parks and recreation facilities are combined into one department with joint operations. In Cincinnati, the City Charter outlines a separate Parks Board and a Recreation Commission, two distinct and separate entities that oversee the departments, even though over time some of their functions and assets have grown to overlap. This creates operational inefficiencies within the system, but due to the separate oversight boards of the two departments, not much headway has been made over

the years to incentivize the departments to work together toward an optimized operational vision. The Futures Commission recommends that the City Administration and the boards that oversee Parks and Recreation acknowledge the opportunities for shared services among and between the two departments and take steps to implement a plan that takes advantage of those opportunities. This could save the City approximately \$25 million over the decade.

This is not a recommendation to change the City Charter and combine the departments into one. The Futures Commission recognizes that many groups over time, including recently, have researched and advocated for combining the two departments. While there are potential efficiencies that would come from doing so, much of what is needed to achieve operational efficiencies and budget savings for each of the departments could be done through efforts between the two entities and city leadership to make administrative changes and formal contractual agreements where needed. This would require that each entity prioritize working together on a plan that makes sense to best serve residents and visitors.

Additionally, the Futures Commission heard from focus groups and other stakeholders about the importance of these departments, and most importantly, about how they viewed them as each providing separate and distinct valuable services to community members. The beauty, placemaking, and openness created by parks is valuable to community members who see them as day-to-day gathering places for individuals and families, but also for events and convening with neighbors. The award-winning system was noted several times as a reason people like to walk in their neighborhood or go to certain locations in the city. Recreation centers and pools were cited numerous times for their value in providing programming and safe spaces outside of the home for young people particularly to spend time, learn, and play. The daily programming and opportunities provided by recreation centers, leagues, and pools are valued greatly as places of stability and opportunities for enrichment in our community. This is why, as discussed in the section of this report about the Cincinnati Southern Railway sale, the City should prioritize investing in these facilities.

The Futures Commission believes that the core competencies of these two departments require the City to look closer at where there are similarities in services that could be consolidated into one system or the other. There are many instances today where the Recreation Commission has a facility with a small amount of green space or some type of recreational field or playground that sits immediately next to or near a park. In most instances, those green spaces are taken care of separately by each department. In stakeholder comments, it was noted that some of them sit immediately next to each other and yet get mowed on different schedules. This represents the exact inefficiencies that could be fixed if one or the other took care of both spaces.

The City should consider whether the upkeep and maintenance of all green spaces not attached to recreation centers – including playgrounds – be the responsibility of the Parks Department. Most playgrounds present to users as small neighborhood parks and it makes sense to operationalize them as such. The value that the Recreation Commission brings through support for community members in recreation centers and programming should be its focus as that is its core competency. If there are ways the Recreation Commission could serve in this capacity for Parks, that should be explored as well. There are likely other areas where savings could be achieved between these two departments. The Futures Commission recommends the boards of both organizations and City leadership analyze every opportunity, regardless of which department has traditionally owned or managed operations or property, and implement a plan for optimizing these services to better serve the community while also improving the budget.

Potential Savings: Estimated \$25 million over the decade

CINCINNATI PARKS & GREAT PARKS

Currently Cincinnati Parks operates an award-winning system of parks and public spaces throughout Cincinnati that is, based on insights from residents and visitors, widely acknowledged to be a huge asset to the City and of clear value to those who frequent them. Included in that park network are a set of “regional parks” that attract residents and non-residents alike for recreation. These include Ault Park in Hyde Park, Eden Park in Walnut Hills, French Park in Amberly Village (outside City limits), and Mt. Airy Forest in Mt. Airy.

Although most focus group participants were unable to distinguish between Hamilton County and City parks, many were naturally supportive of consolidation of County and City parks. Concern about consolidation came with the discussion of accessibility, one participant indicating “Great Parks does an amazing job, but they do charge a fee, so I would be concerned about ensuring that our parks are still accessible to all.” Overall, qualitative results showed satisfaction with City Parks and openness to consolidation. Results from the Futures Commission’s quantitative survey emphasizes this and shows that outdoor recreational opportunities (e.g., parks, nature) was ranked third in quality of life attributes, with 40% of respondents ranking the attribute “good” and 39% ranking it “excellent.” When asked more specifically about shared services between County and City parks, 70% of city residents supported shared services.

Rank	Benchmark city	Park access
1	Minneapolis, MN	98
2	St. Louis, MO	97
3	Pittsburgh, PA	88
4	Cincinnati, OH	82
5	Cleveland, OH	76
6	Columbus, OH	57
7	Kansas City, MO	55
8	Raleigh, NC	21
9	Nashville, TN	18
10	Louisville, KY	6
N/A	Indianapolis, IN	N/A

from: The Trust for Public Land, 2022

RECOMMENDATION: EXPAND ASSET MANAGEMENT AGREEMENTS BETWEEN CINCINNATI PARKS AND GREAT PARKS OF HAMILTON COUNTY. TWO PARKS IN PARTICULAR ARE BETTER ALIGNED TO THE MISSION AND OPERATIONS OF GREAT PARKS: MT. AIRY FOREST AND FRENCH PARK.

The Futures Commission believes that there are savings opportunities for the Cincinnati Parks Department to engage with Great Parks of Hamilton County to manage two of the regional parks, particularly Mt. Airy Forest and French Park. Both parks are large parks with significant natural wooded areas, with hiking trails and amenities that are characteristic of other parks in the County system. The geographic location of these parks also makes them ideal for this type of partnership. French Park is located outside of the City limits and Mt. Airy is at the edge of the City, bordering on other jurisdictions.

These savings – which would need to be realized via negotiation with Great Parks – are not unheard of, with the City and County parks systems already having such agreements in place at Otto M. Armleder Memorial Park, Fernbank Park, and the Lunken Airport Trail, and will soon add the Oasis Trail when it is completed. Specifically focusing on regional parks with significant natural land, which Great Parks already excels in maintaining, and on parks that are near the City’s border, would create the economies of scale necessary to make these types of agreements work. These agreements would also allow Great Parks to increase its services to Cincinnati residents.

One issue that City leaders should consider is the accessibility of these parks. In stakeholder conversations and focus groups, when asked for their opinion about Great Parks assuming management of a small number of Cincinnati parks, community members expressed concern that low-income residents could lose access to the parks if there was a fee charged as there is at the Great Parks facilities outside of the City.

Potential Savings: \$9.5 million over the next decade

CREATE WASTE COLLECTION FEE IN LINE WITH PEER CITIES

Cincinnati has a robust curbside collection program. The Department of Public Services provides weekly solid waste collection, biweekly yard waste collection from April to January, and scheduled bulk item collection for residential properties up to four units. Commercial and residential properties larger than four units are responsible for contracting with a private entity for collection services at their own expense. The City outsources recycling to Rumpke, which was paid \$2.7 million in FY24 – \$1.5 million of which comes from the General Fund, while \$1.2 million comes from the restricted Stormwater Fund.

The Futures Commission's survey data suggests that City residents value this service, with curbside collection being the number one ranked service, with 56% of residents ranking it as a 9 or 10 on a scale of 1-10.

Today, the City provides all of those services free of additional charge, funding waste collection completely using general operating dollars. That funding approach is not comparable with cities across Hamilton County and the peer cities the Futures Commission analyzed.

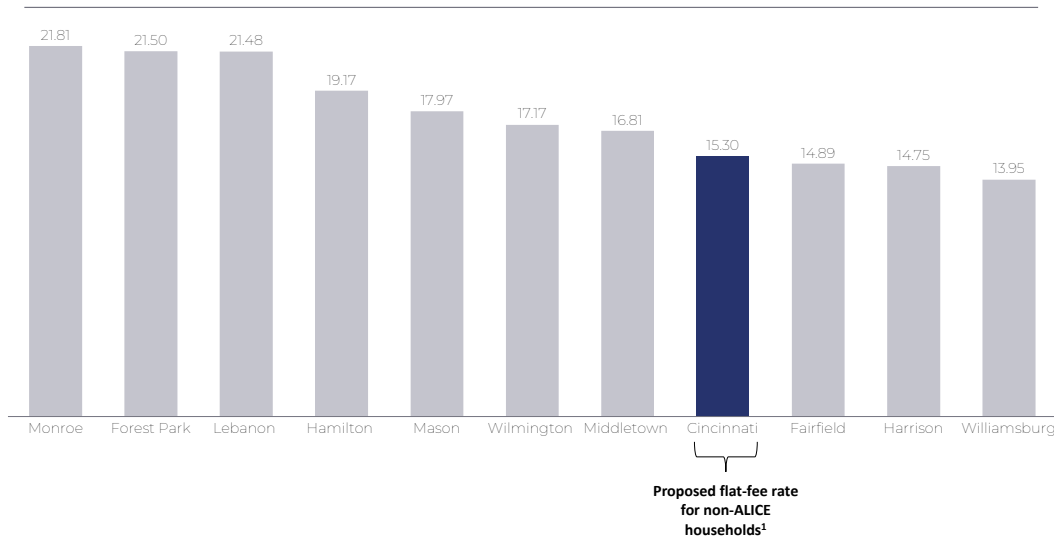
During the year, the Futures Commission assessed two options to implement such a fee:

- PAYT (Pay-As-You-Throw) where the City would charge a variable monthly fee to residential households based on the volume of solid waste placed at the curb.
- A flat fee where the City would charge a fixed monthly fee (draft proposal would be \$15.30 per household (100,000 estimated households) and \$7.60 for ALICE (Asset Limited, Income Constrained, Employed) households (38,000 estimated households).

Three peer cities charge a flat curbside collection fee, with an average monthly fee of \$12.42 (Raleigh – \$14.50; St. Louis – \$14.00; Cleveland – \$8.75). PAYT models were benchmarked in Kansas City, Denver, Portland, and Minneapolis.

The \$15.30 per household charge would place the City in the bottom quartile among its peers in the local area, with Williamsburg in Clermont County the lowest at \$13.95 per household and Monroe the highest at \$21.81 per household.

Trash collection fees for neighboring Ohio suburbs (\$ per month)



RECOMMENDATION: INSTITUTE A FIXED MONTHLY FEE (APPROXIMATELY \$15.30 PER HOUSEHOLD AND \$7.60 FOR ALICE (ASSET LIMITED, INCOME CONSTRAINED, EMPLOYED) HOUSEHOLDS).

The Futures Commission identified three benefits from implementing a fee like this. First, it generates revenue that is directly tied to the cost of services, creating a dedicated stream of revenue to support the operations of the Public Services Department. Often over the last decade City departments were required to take harder and harder cuts to continue to balance the City's overall budget. The implementation of a fee, which is required to be tied to the cost of the services provided, will create the necessary investment to sustain this important City service.

Second, the implementation of the fee diversifies the City's revenue streams. Currently the earnings tax makes up nearly 70% of the General Fund budget and substantially pays for the waste collection services. Creating a new fee that will bring in \$164 million over the next decade adds a substantial new stream of revenue to the City's budget, protecting it from any potential volatility in earnings tax receipts.

Finally, a waste collection fee has the potential to encourage recycling and overall waste reduction as residents become more conscious of the waste they generate and the cost of disposal. This aligns with recommendations from the Green Cincinnati Plan, which recommended as a priority action the creation of such a fee to incentivize recycling and waste diversion.

A case study from San Jose shows not just the fiscal benefit of such a fee but environmental benefits as well. Through its PAYT program, the city experienced a 74% diversion rate in 2023 (one of the highest in the nation) and saw an increase of 149% in the quantity of recyclables after the first year of the program.

The Futures Commission is recommending a flat fee model, in part, because it is significantly simpler to implement. Under a Pay As You Throw (PAYT) fee structure, the City would need to invest up front in new garbage collection cans of various sizes, because under this model, residents pay a variable fee based on the size and number of cans they need for trash collection. However, the Futures Commission believes there is benefit to a Pay As You Throw (PAYT) model, and if the City could identify grant or other funding streams to defray the cost, it might be a feasible approach to consider.

This is not a fee that Council and the Mayor can implement themselves. A Charter amendment approved in 2011 specifically bans a trash fee from being implemented, so any action to implement a fee would require an amendment to the Charter and a vote of the citizens.

The Futures Commission believes the fee is an essential part of the overall package. The survey work the Futures Commission conducted noted the value residents place on curbside collection, and, during focus groups where participants had a deeper conversation about the City's overall budget status and the current state of curbside collection compared to peers, residents were open to the concept and potentially willing to absorb the cost for the value of the service.

Potential Revenue: \$164 million over the decade

LEVERAGING DATA TO IMPROVE PUBLIC SERVICES

The Office of Performance and Data Analytics (OPDA) is tasked with improving government services through data analytics, performance management, and process improvements. As the Office of Performance and Data Analytics continues to expand its capabilities and data collection, City departments can better set and track Key Performance Indicators and pivot more frequently as needed. Additionally, the OPDA leads the Strategic Initiative Execution Teams that drive more collaboration and a cross-discipline approach to government services.

The award-winning work of the Office of Performance and Data Analytics team has proven effective. The team's capacity should be expanded to service more City departments. A priority area should be the Department of Public Services. The Office of Performance and Data Analytics can work towards modernizing the department with technology upgrades, identifying and track new efficiencies, and generating long-term cost savings for city assets and services.

RECOMMENDATION: STRENGTHEN AND PRIORITIZE THE FOCUS ON PUBLIC SERVICES DONE BY THE OFFICE OF PERFORMANCE & DATA ANALYTICS TO MODERNIZE OPERATIONS AND CREATE EFFICIENCIES.

The Futures Commission recommends that the City invest in technology for the Department of Public Services for tracking, routing, and responding to service requests to improve service delivery; save on fuel and depreciation; improve longevity of City assets; and identify service delivery improvements through data. While the City has previously allocated funds to make these technological improvements, it has not yet implemented the program, and therefore has not realized the cost savings brought by these upgrades.

The City has begun to explore an opportunity similar to Strategic Initiative Execution Teams that stems from a partnership between Transportation & Engineering, Public Services, the Emergency Communication Center, and the Office of Performance and Data Analytics to generate more efficient routing and prioritization to respond to Citizen Service Requests; repairs of City assets, including roads; treatment and repairs during and after winter events; and other opportunities. The Futures Commission believes these operational efficiencies are worthy of continued focus and pursuit by the City.

RECOMMENDATION: RESTRUCTURE THE CITY'S BUDGET TO A PRIORITY-BASED BUDGETING SYSTEM.

Historically, the City of Cincinnati budgets for the upcoming fiscal year began by looking at what the budget was in the current year and making necessary adjustments based on projected revenue for the upcoming year. Departments could apply for exceptions to add services or avoid cuts. This form of budgeting could result in the City continuing programs or spending that have long since needed revision or elimination, which can prevent newer, riper needs from being addressed adequately.

In Fiscal Year 2024, The City began a 3-year process of transitioning to a priority-based budgeting model, which the City refers to as performance-based budgeting. The first year of the transition began with setting clear measures, service deliverables, and key performance indicators for each department. Throughout the budgets for Fiscal Years 2025 and 2026, the City will continue to transition to this new budgeting model, working department by department in collaboration with the City Manager's Office, the Budget Department, and Office of Performance and Data Analytics. By project completion, the City intends to have a robust tracking system for each department, enhanced by detailed sources of revenue and tax dollar allocations.

The Futures Commission encourages the City to continue to implement this type of priority-based budgeting to allow the City to align its budget to the goals laid out in this report and begin measuring success over the next decade. City leadership and departments can base each fiscal year's budget on key priorities for the City as a whole and the role each department plays in driving success toward those goals. Additionally, this new budget model would allow the community to stay engaged and give input, impacting the priorities and metrics that determine how tax dollars are spent. This model also creates more transparency, allowing the public to track the City's operations against its goals and measurements.

Implementing priority-based budgeting can result in great savings over the decade and contribute to better community input and accountability to residents, something the Futures Commission heard regularly as a priority from stakeholders. In the process of conducting this work, the Futures Commission provided guidance to the City budget office on steps to move toward this new budgeting approach.

RECOMMENDATION: PILOT A GAINSHARING PROGRAM FOR FLEET MAINTENANCE.

Through its financial review and benchmarking the City's budget and operations against its peers, the Futures Commission determined that there is untapped potential in one of its most valuable assets – its own workforce. Many departments at City Hall, especially in non-public safety departments, are being asked to do more with less. Separate from its recommendations identifying budget cuts and revenue enhancement opportunities, the Futures Commission recommends the City develop programs that leverage employee innovation, provide budget savings, and directly benefit employees.

Gainsharing is not a novel concept to municipal governments, including Cincinnati, but has regained momentum in recent years due to the macroeconomic issues impacting city budgets. The premise of gainsharing is fairly simple: it challenges employees within a specific department to reduce costs while maintaining current service levels and rewards those employees with a share of the savings.

The City's Fleet Services division of its Department of Public Services was identified as a potential pilot due to a need for more efficient operations and quicker turnaround of services. In addition, encouraging results from other cities have been shown in recent years after rolling out gainsharing programs for fleet management operations. The first phase of the City of Baltimore, Maryland's program (responsible for a fleet of over 5,600 vehicles used by 29 city agencies) that ran from July-December 2018 resulted in total cost savings of over \$950,000 – \$450,000 of which was shared with participating employees. Those 227 employees each received around \$2,000 over and above their regular pay. Related efficiencies included 40 more work orders completed each month, 1,300 additional direct labor hours without significant change in the number of technicians, and a reduction of 6% in leave time within the division.

The estimated fiscal impact for Cincinnati assumes a reduction of 5% in operating expenses in the next fiscal year, an 8% reduction the following year, and 11% reduction each year thereafter (in line with the Baltimore case study). With an assumption that 40% of savings are shared with city employees and costs growing by baseline inflation, the fiscal impact includes \$16 million in general fund savings over the next decade, with \$6 million of that the benefit to employees.

The \$10 million in net savings to the City's general fund in the next ten years could be seen as a first step toward identifying other divisions within the City that could benefit from a gainsharing program.

According to a best practices study from staff at the University of North Carolina's School of Government, model gainsharing programs exhibit three characteristics:

1. They focus on opportunities to reduce costs or increase revenues, and this allows them to be self-funded.
2. They feature meaningful employee participation, not simply in submitting suggestions but also in collaborating with other workers and management in brainstorming and decision making.
3. Employees receive bonuses based on group success in securing desired gains.

The Futures Commission encourages City leaders, including the City Manager, leadership at the Department of Public Services, and applicable labor unions to develop a strategy to roll out a fleet services gainsharing program and understand what may be needed for success.

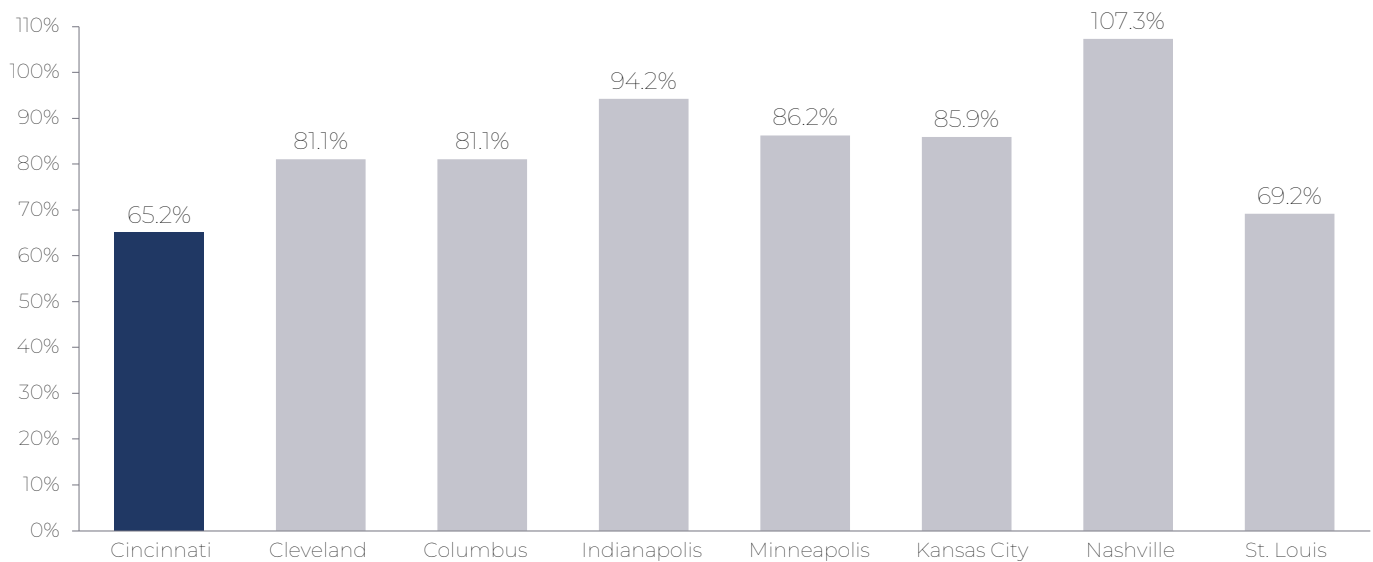
Estimated Savings: \$10 million over the decade

MITIGATING THE CITY'S PENSION RISK

The City of Cincinnati is unique among its peer set in Ohio in that it manages its own employee retirement system. For many years, this arrangement provided benefits to current employees and retirees through local control and decision making of pension benefits. Economic recessions coupled with consistent reductions in the City's workforce through the years have significantly strained the financial picture of the pension system. In 1999, for example, there was roughly one active City employee for every retiree, helping lead to a 161% funded ratio for the system.

By 2022, the number of active city employees dropped to around 3,900 while the retiree class remained nearly the same at 4,300. The three economic recessions since 2000 and the City's past practice of underfunding its employer contribution have increased the financial strain on the system as well. The City's pension funded status at the end of 2022 stood at 65%, well below peers like Nashville (107%), Indianapolis (86%), and Minneapolis (86%) and the Ohio state system (81%) after aligning discount rates.

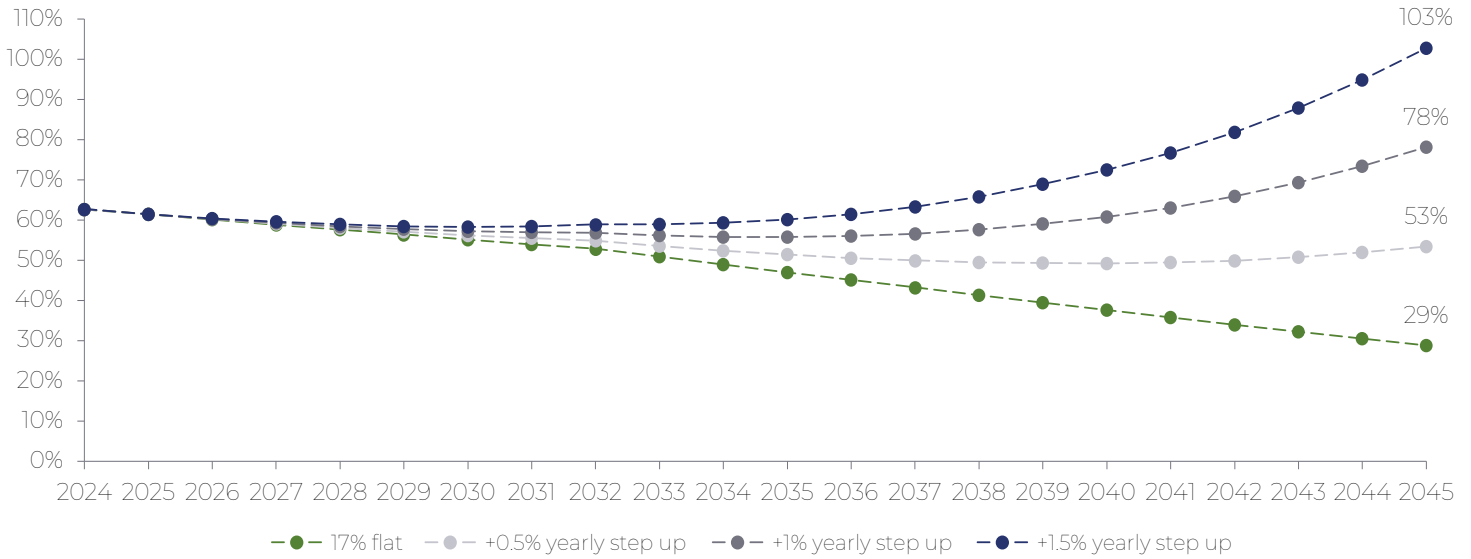
Peer city estimated 7.5% funded status (\$ in M)



Several attempts were made in recent years to address these funding issues while maintaining overall benefits. Most notable was the 2015 Collaborative Settlement Agreement, an agreement between the City's Mayor and Administration, the retirement system's board of trustees, current employees, and retirees approved in federal court. That agreement included a shared goal for the City to fund the system to target a 100% funded ratio by 2045 while eliminating the City's ability to decrease benefits and setting a floor of 16.25% as the City's annual pension contribution. At the time, actuarial projections indicated that the 16.25% contribution, if maintained, would be enough to achieve these results, which has not proven true. To get the system back on track, the Cincinnati Retirement System's Board of Trustees proposed an annual increase of 1.5% in the City's contribution.

Given the severity of these issues and the pervasive threat they present to the City's general fund, the Futures Commission believes permanently addressing the pension should be a top priority for the Mayor and City Council. Based on actuarial liability projections, failing to act could have devastating impacts on the operating budget, forcing the City to cut services or raise taxes to fund its pension commitments. As the chart shows, the 1.5% annual step up would require an average yearly general fund contribution of \$60 million – 48.5% of payroll – between FY25 and FY45.





		Avg. yearly GF contribution, FY25 - FY45	Total GF cost, FY25 - FY45	2045 funded status
Contribute at current rate (17%)	GF cost (\$ in M)	29	610	29%
0.5% yearly step up	GF cost (\$ in M)	39	829	53%
1.0% yearly step up	GF cost (\$ in M)	50	1,048	78%
1.5% yearly step up	GF cost (\$ in M)	60	1,267	103%

After careful consideration, the Futures Commission concluded the most viable and permanent solution to address these issues is for the City to join every other township, city, and village in Ohio and transfer its pension system to the Ohio Public Employees Retirement System (OPERS). To do so requires the City to open negotiations with OPERS to understand what steps would be needed to facilitate such a transfer.

Two likely requirements include:

1. A requirement that the City’s pension system increase its funded level to at least match that of OPERS, which at the end of 2023 was 84%, 15 points higher than the City’s pension fund. Increasing the City’s funded level by that amount would require a lump sum investment of at least \$390 million (see chart below).
2. An alignment of discount rates (i.e., expected rates of return). The City’s rate is currently 7.5%, six basis points higher than that of OPERS. That alignment will increase the City’s liability by between \$130 million and \$260 million.

Est. cost for immediately increasing pension funded level (\$ in M)

Illustrative funding scenarios	Cost
Increase City’s funded level to 80%	\$390
Increase City’s funded level to 90%	\$650
Increase City’s funded level to 100%	\$910

Some Commissioners also expressed hesitancy about this transition because of the uncertainty it may create for current employees whose benefits would be impacted. Any negotiation with OPERS should take into account the existing benefits to employees in the system and safeguard against loss of benefits.

RECOMMENDATION: TAKE THE NECESSARY STEPS TO FACILITATE A TRANSFER OF THE CITY PENSION SYSTEM TO OPERS. THREE INITIAL STEPS SHOULD BE PURSUED:

Complete a full actuarial assessment to research and validate long-term liability.

Structure a preliminary offer for evaluation by OPERS

Open negotiations with OPERS to align on expectations and timeline.

In addition to addressing the long-term solvency issue, a transfer would provide immediate, practical benefits to the City's budget, most notably due to OPERS's required employer contribution. At a 14% required contribution, the OPERS rate is lower than the City's current 17% contribution, providing a minimum \$35 million in savings to the general fund over the next ten years, and significantly more savings in the decades beyond as the obligation – and, therefore, savings – compounds. Significant additional savings will be realized as the City will not need to increase its employer contributions to comply with the Collaborative Settlement Agreement.

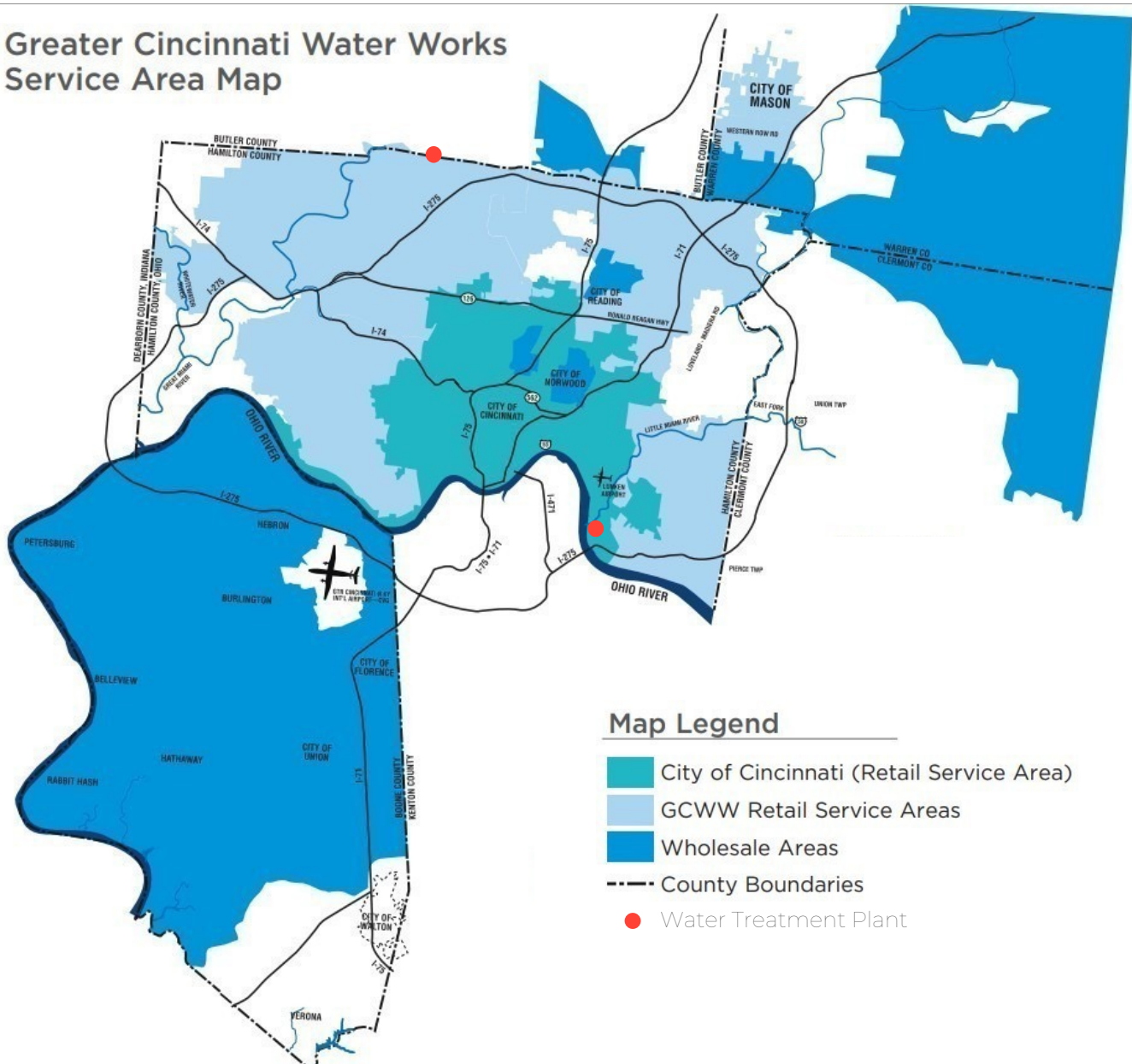
Through discussions with external experts and those most familiar with the City's pension system, the Futures Commission realized there are limited options to produce the necessary resources to facilitate the transfer to OPERS. Only one was researched that provided a revenue source without dramatically reducing City services or significantly increasing taxes.

PURSUING THE REGIONALIZATION OF GREATER CINCINNATI WATER WORKS TO SUPPORT PENSION TRANSFER

The Futures Commission recognizes Greater Cincinnati Water Works (GCWW) as a best-in-class water utility that serves the City and surrounding jurisdictions. Known for its innovative clean water technologies and high customer service reputation, GCWW currently serves 1.1 million people in the City of Cincinnati, most of Hamilton County, and parts of Butler and Warren Counties in Ohio and parts of Boone County in Kentucky. GCWW's 800+ square-mile service area is more than 10 times the size of the City.



Greater Cincinnati Water Works Service Area Map



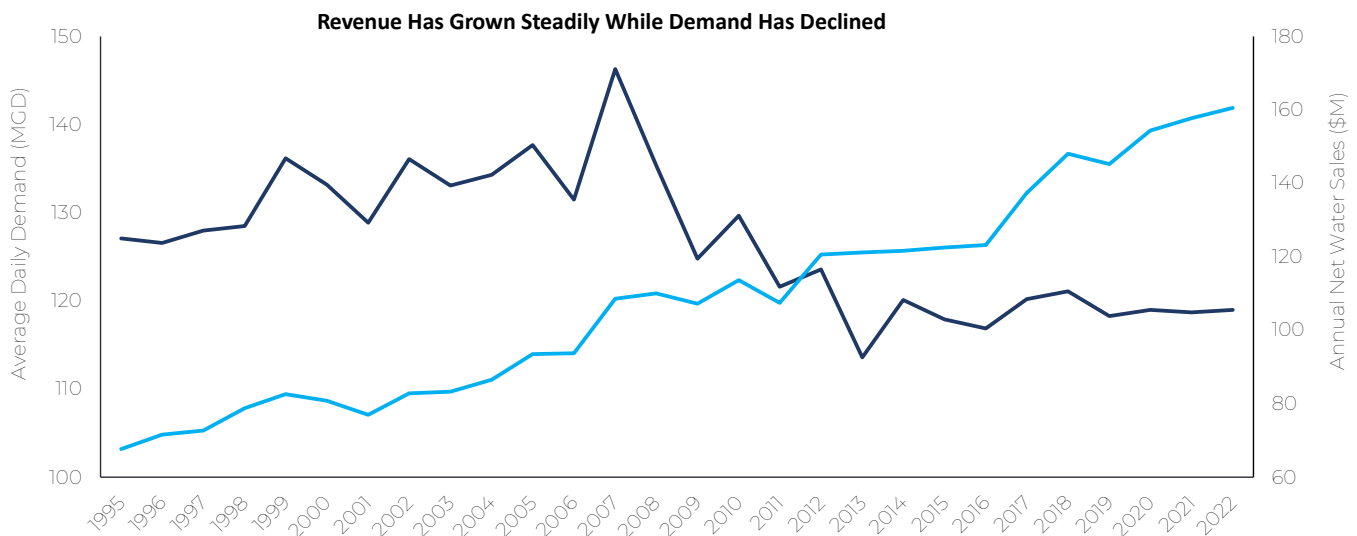
Separate from the pension liability, GCWW faces its own headwinds across its business model that will not improve in the foreseeable future without a fundamental transformation. GCWW sells a commodity – water. Thus, GCWW’s primary revenue stream is simply a function of volume of water sold times the water rate. When water demand goes down, the only two options GCWW realistically has to maintain revenue are to: (1) supplement demand, and/or (2) raise rates. In the 1990s and 2000s, GCWW expertly pursued the first option by expanding its service area and wholesale customers far beyond the City as shown on the map above. But as explained below, due to State law and engineering limitations, GCWW has now largely exhausted the benefits from that strategy. Thus, in more recent years, GCWW has had no choice but to raise rates to maintain revenue levels. That cycle will continue into the future without a significant change in GCWW’s structure.

Demand for water has dropped significantly in the City and Hamilton County over the past 30 years. There are several irreversible reasons for this. To begin with, the City and Hamilton County have been losing water-intensive manufacturing customers for decades. This decline only accelerated after the federal court MSD Consent Decree (signed in 2004) caused sewer rates in the City and Hamilton County to increase dramatically. Many of MSD’s largest customers – manufacturers in the City and Hamilton County that

used and discharged significant amounts of GCWW's water – relocated some of those water-intensive operations outside the County and/or implemented engineering improvements that significantly reduced water usage and sewage discharges. At the same time, there have been continued decreases in household water usage through widespread adoption of lower consumption toilets, shower heads, dishwashers, washing machines, and other appliances. In fact, the American Water Works Association reports that between 1999 and 2016, average household water usage in the United States dropped 22%.

While demand has dropped, much of GCWW's costs are fixed in water treatment plants, water mains, water towers, pumps, valves, and fire hydrants among many other items that all come with capital intensive replacement and maintenance costs. GCWW's variable costs – chemicals, labor, energy, borrowing costs, etc. – have all been increasing, especially in the past few years. Additionally, GCWW has faced ever-increasing complexity and costs for regulatory compliance. So, while GCWW's costs have been steadily increasing, demand for its product continues to drop.

As shown in the graph below, GCWW's average daily demand in 2022 was only 93.6% of what it was in 1995 and 81.3% off the peak demand in 2007. It is critical to note the drop in demand came despite GCWW's series of expansion efforts that started in the 1990s. These expansions include the "Water West" capital program that extended water mains into western Hamilton County, a line that was drilled under the Ohio River to sell excess water to Northern Kentucky and expansions into Butler and Warren County. MSD's consent order was signed in 2004, and MSD rates began to increase significantly thereafter. This was a major factor that explains the dramatic drop in water demand between 2007 and 2013.



As the chart above shows, GCWW has continued to generate more revenue to cover its ever-increasing costs. From 1995 to 2022, GCWW has increased revenues 2.36 times even as demand dropped 6.4% over the same period. That can only be explained by rate increases that are being borne by City residents and GCWW customers. City residents will likely continue to see an increase in their water rates as GCWW's revenues decrease.

Understanding this scenario, the primary way for GCWW to keep rates in check going forward is to sell more water. However, there is nothing on the horizon that is going to increase demand significantly within GCWW's existing service territory. Thus, as GCWW recognized in the 1990s, it needs to expand its service territory to grow demand and realize economies of scale. However, GCWW is a department of the City of Cincinnati. As such, the Ohio Constitution and Ohio law limit how far GCWW can operate beyond the City

limits. For example, GCWW cannot build or acquire a water treatment plant in northern Warren County solely to serve northern Warren County and Clinton County because that plant would provide no benefit to City residents. At the same time, pumping water from GCWW's existing treatment plant on the Ohio River to Clinton County, for example, is energy intensive and cost prohibitive. Thus, with limited exception, GCWW's service territory has largely reached its geographic limits under current constraints of law, engineering, and economics.

RECOMMENDATION: CREATE A TASK FORCE APPOINTED BY THE MAYOR TO PURSUE THE REGIONALIZATION OF GREATER CINCINNATI WATER WORKS.

The task force would lead the development of a strategy toward creating a regional, independent, locally controlled public water district (per Ohio Revised Code Chapter 6119) that includes:

A complete legal and commercial analysis and review of current agreements in place that could present obstacles for regionalization.

A feasibility study that includes asset valuation, transaction debt structuring, and impact to rate payer assessment

An outreach plan to key stakeholders, including ratepayers, outside retail and wholesale customers, elected officials, and employees.

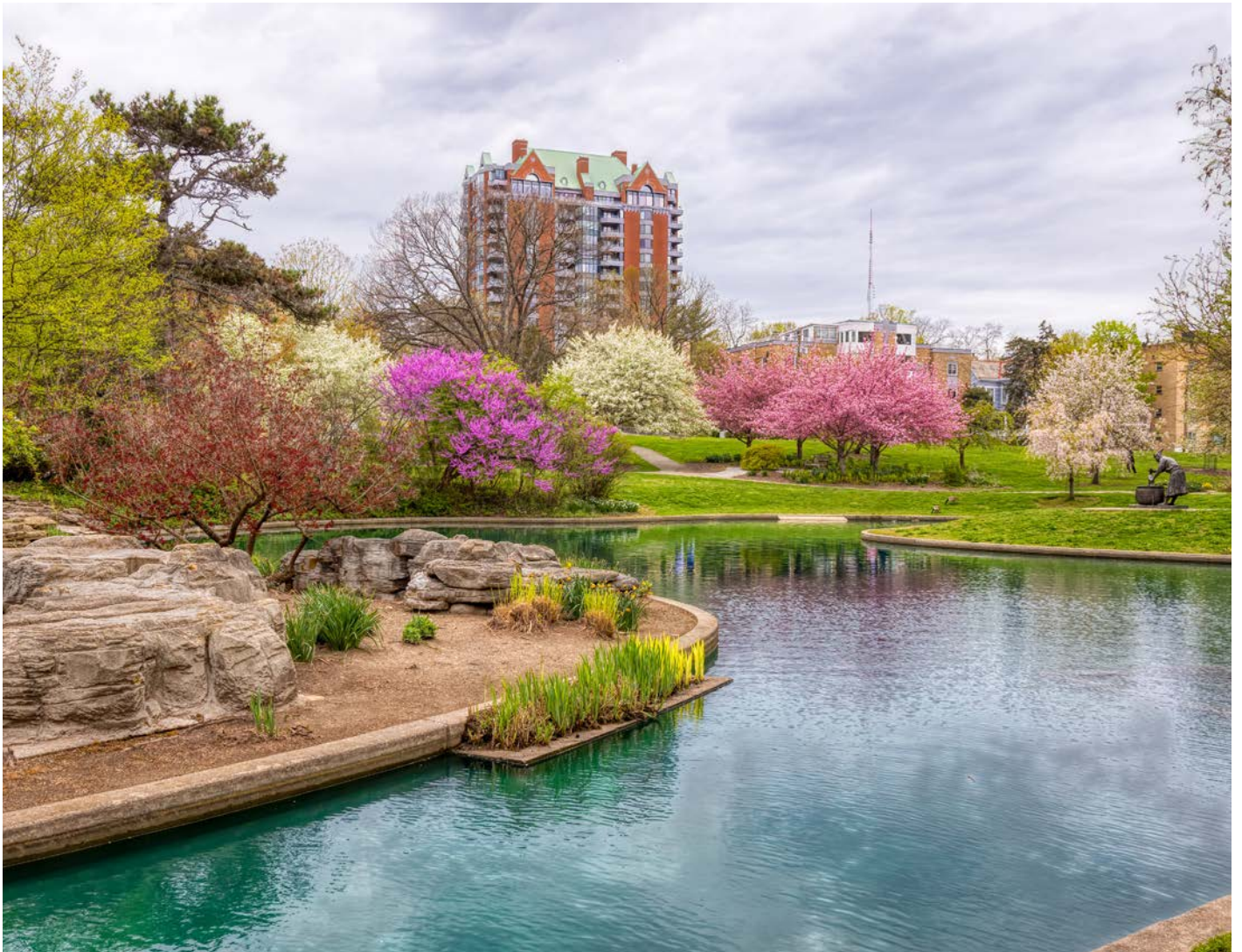
This process may take two years or more to realize and a decision to regionalize would need to be passed by City voters via an amendment to the City's Charter.

A few important notes on this recommendation to regionalize GCWW:

The transfer agreement would include payment to the City from divesting the system and its assets to the new regional district. Determining the specific value of the system was out of the scope of the Futures Commission. The net book value of GCWW (\$1.255 billion), less the debt defeasance (\$575 million), nets \$680 million. This is an appropriate starting point from accounting measures for establishing indicative value and net proceeds range. It is this new revenue source that the Futures Commission recommends utilizing as a base to transition the City's pension system to OPERS.

Consumer water rates may increase in the short term to accommodate the asset transfer, although this rate increase is likely less draconian than service cuts or tax increases otherwise needed to address the pension. Furthermore, if the regional district expands and adds new demand, this increased demand will help keep rate increases in check for the long term. There is also good reason to believe a new district could add territory and increase demand because GCWW is a world-class operation and other water utilities in the region face the same regulatory complexity and operating challenges that GCWW faces but they lack the scale and sophistication to address those challenges. Thankfully, due to GCWW's foresight in the 1990s to expand its system, the City's current rate structures are low and competitive relative to neighboring and peer cities and would remain competitive.

The City's choice is either to maintain the status quo at GCWW with ever-increasing rates against flat or declining demand, or convert to a regional district, expand territory to increase demand to better keep rates in check with the added benefit of asset monetization to help solve the pension liability.



This recommendation was not made unanimously by the Futures Commission, with some Commissioners expressing objection over transitioning the City's employees to the new regional authority. The concerns raised are valid and cannot be resolved until the details of the proposal are developed. For any plan to work, the City will need to ensure that the benefits it has negotiated with its employees are honored and that the employees who will be affected are part of the process for a transition to this new authority so that their concerns are addressed adequately. The task force to be formed as part of this recommendation should include representatives from organized labor in addition to business, civic, health, and nonprofit leadership to ensure that any plan presented to policy makers and voters has the requisite support from key stakeholders necessary to get implemented.

While the Futures Commission believes the regionalization of GCWW presents the best opportunity to provide a path forward to transition the City's pension system to OPERS, there may be alternatives that can be pursued to complement – but not solve alone – the revenue that will be needed. Those alternatives are briefly summarized below. Almost all these options require reopening the Collaborative Settlement Agreement for negotiation.

The City could identify additional lump sum payments to contribute to the system.

- Transferring up to \$100 million of the surplus in the City's Healthcare Trust to the pension plan. The Healthcare Trust was created as part of the 2015 Collaborative Settlement Agreement and would need a detailed legal analysis to determine if and how those funds could be accessed.
- The City could allocate one-time funds previously set aside to address the unrealized threat of loss of commuter revenues into the pension system.

Benefit changes and/or employee share increases would require negotiation with active and retired employees.

- A one-year suspension of cost-of-living adjustments for retirees would generate approximately \$30 million according to City budget staff.
- A 1% increase in employee contribution would total \$2.4 million for plan year 2025, increasing to \$5.9 million by plan year 2053. However, such an increase would likely have minimal positive impact on the pension system's unfunded liability.

A survey conducted by the Futures Commission shows that 77% of City residents, when presented with the opportunity to “transform GCWW into a regional and independent public water district to improve aging infrastructure” supported the concept.

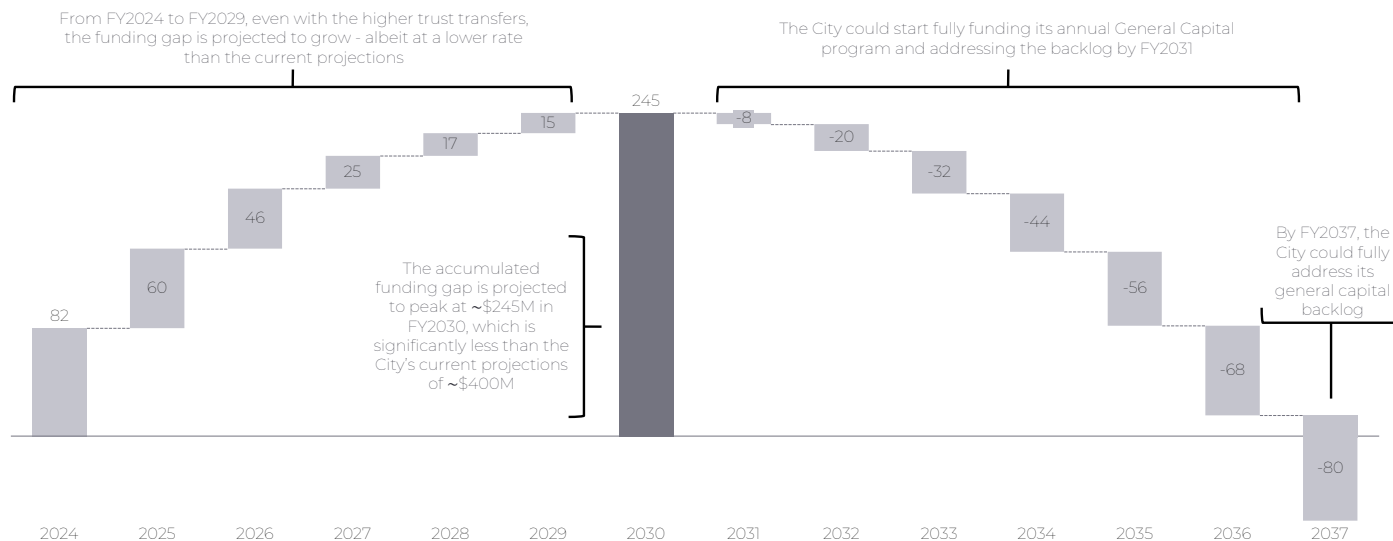
DEALING WITH DEFERRED CAPITAL MAINTENANCE

The state of the City's infrastructure has been widely reported, especially over the last year as the Futures Commission has been undertaking its work. Over the last several years, the City of Cincinnati has not been able to meet its infrastructure investment needs. Pricing increased and the backlog of infrastructure needs continued to grow, outpacing any efforts by the City to increase spending on capital. By last year, the funding gap was \$82 million. With a projected continued imbalance of revenue and spending to need, the City's projected capital deficit by the end of the 2029 would be \$400 million.

When the Futures Commission took on this work in early 2023, that looming liability was among the largest unaddressed fiscal risks for the City. The ability for a City to take care of its infrastructure and maintain a place not only desirable to live and work, but more importantly, a safe place to do so, is imperative. The potential for crumbling roads, bridges, and City-owned buildings grew exponentially every year and severely threatened the City's ability to grow without intervention and significant cuts to other parts of the City budget.

Thankfully, the City, the Board of the Cincinnati Southern Railway, and ultimately Cincinnati voters, approved the sale of the Cincinnati Southern Railway to Norfolk Southern in November 2023, charting a path that could allow the City to close the projected infrastructure funding gap completely by 2037. Individual members of the Futures Commission, and the organizations who staffed and supported this work, were actively supportive of this effort because they understood the opportunity – but also the risk of failure – the sale presented.

Illustrative Projected funding gap for select General Capital infrastructure, reflective of the trust transfers



As has been reported, conservative estimates on the return of investment from the sale proceeds are \$56 million annually, which is an increase of about \$30 million over the lease payments. However, the Futures Commission's analysis found that even a modest increase of only half a percentage point in the returns would yield an additional \$8 million annually to support the City's existing infrastructure.

The Futures Commission believes that the protections put in place by the Cincinnati Southern Railway Board, state legislature, and directly into the Charter protect this revenue and create the right safeguards to appropriately direct the investments. First and foremost is the focus on existing infrastructure, meaning that these resources may only be used to maintain, upgrade, or replace roads, bridges, buildings, and other capital needs. Similarly, as a protection against raiding the coffers of the railway sale and to ensure that the proceeds will benefit regular needed maintenance and replacement of assets, the Charter amendment also requires that the City cannot bond or borrow against the designated cash allocation from the investment proceeds each year. This "pay as you go" model ensures that no City administration can tie up future proceeds from the sale for extended periods of time for one-time large projects.

As the Futures Commission conducted its work, two specific focus areas became clear, leading to two recommendations:

RECOMMENDATION: THE CITY SHOULD PRIORITIZE DEFERRED MAINTENANCE ISSUES WHEN SPENDING INFRASTRUCTURE TRUST MONEY, SPECIFICALLY FOCUSING ON ROAD PAVING, PEDESTRIAN FRIENDLY INFRASTRUCTURE, AND PARKS, RECREATION, AND PUBLIC SAFETY FACILITIES, ALL OF WHICH ALIGN WITH RESIDENT FEEDBACK.

The Futures Commission recommends that the City first and foremost address the basic services that citizens expect and that are needed for future growth.

Paired with that, two crucial priorities that came up consistently in focus groups from citizens, commuters, small business owners, and visitors alike, are addressing pedestrian safety and creating more walkable neighborhoods.

Potholes were identified as a "major issue" by 43% of respondents in the City's own survey of residents in 2022 and road paving had been cited as a critical need in the 2021 survey, as well.

In the 2022 City survey, 57% of respondents said speeding or reckless driving near sidewalks and pedestrian crossings was a "major problem."

“A real issue that’s arisen for me since moving here is pedestrian safety, school kids safety, crossing streets at school zones. The right on red is going to kill us all. I feel like I live to walk and I’ve had so many near misses. And so, I love that I can walk to green spaces. I love that I can get out on foot. But, you know, I don’t feel like pedestrian safety is a priority for the city.” - Middle Income Resident

“I don’t know how many times over all my kid to a playground, and there’s just been like the same yellow tape on a broken slide for like, half a year. It’s like, it is a real eyesore for the city services. And same thing with like road repair.” - Middle Income Resident

Because the cost of repaving has increased so significantly over time, the City should consider an updated strategy for how to catch up on these needs and implement a regular maintenance schedule that will allow the City to reap the benefits of these capital investments over time.

Walkability is a core component of what people desire in order to live and spend time in the City. The City’s numerous squares, business districts, and commercial corridors present a great opportunity for the City to invest in pedestrian-friendly infrastructure as streets are repaved and whole intersections are reworked as part of the capital program. For years, the City has had to do the bare minimum to simply repave streets as quickly and efficiently as possible and cost constraints made it difficult to analyze the broader design necessary to improve safety and multi-modal investments. Now that the City has increased capital funding, this could be an opportunity to think strategically about its larger corridor and business districts when it plans for replacement or repaving to accommodate design standards that prioritize pedestrian safety and walkability.

Another important priority the Futures Commission heard from the community was to ensure that the City’s neighborhood Parks and Recreation facilities are adequate to serve those who live in the neighborhood and those who frequent an area’s business district. Parks and recreation facilities play a large role in quality of life for residents. Each serves a unique purpose and often serves as the anchor asset for individual neighborhoods. Previous sections of this report have detailed recommendations about how these departments can align better to maintain their existing assets, but the Futures Commission believes the City should also prioritize capital investments in parks, recreation centers, and green spaces around the City to support the existing assets that create thriving, healthy neighborhoods.

Another important priority the Futures Commission heard from the community was to ensure that the City’s neighborhood Parks and Recreation facilities are adequate to serve those who live in the neighborhood and those who frequent areas business districts.

Finally, given the importance of Police and Fire to citizens and visitors alike, along with their high proportion of the general fund budget, the Commission recommends that the City look at ways to utilize infrastructure spending that would increase operational efficiency for those departments and/or provide more effective results. As it conducts the studies recommended by the Futures Commission, it would be prudent to explore the potential for capital improvements and changes to facilities that could drive significant operational savings beyond the routine utility and maintenance savings discussed on the next page.

RECOMMENDATION: REALIZE SAVINGS FROM UTILITY AND MAINTENANCE EXPENSE REDUCTION FROM CINCINNATI SOUTHERN RAILWAY SALE SHOULD BE USED TO SUPPORT OPERATIONAL BUDGET.

Among the benefits of the City's decision to sell the Cincinnati Southern Railway and utilize the proceeds to support existing infrastructure is the opportunity to realize savings in the City's operating budget from improved infrastructure. Specifically, by focusing these investments on eliminating the City's deferred capital maintenance needs, the Futures Commission's analysis reveals that the City can realize \$5.8 million in savings on maintenance and utility expenses over the next decade thanks to infrastructure improvements.

As the City begins to invest the funds from the sale, the Futures Commission recommends focusing investments on projects that can yield the largest operational savings.

REFORM THE EARNINGS TAX

Throughout this year, the Futures Commission has sought to create a holistic plan that puts the City on a path to accelerated growth in the coming decades. Two key recommendations in this report involve a modest increase in the earnings tax to ensure superior Police and Fire services are maintained and to invest in key drivers of the City's growth.

The report discusses both recommendations in detail in earlier pages, but it is worth additional commentary given the significance of any increase in the City's earnings tax.

Through dramatically changed demographics and population losses, different office and workplace trends, and the need for additional provided services, the City has maintained its operational earnings tax at the same rate for more than 50 years. In the 1980s, the City increased the earnings tax from 2.0% to 2.1% to support infrastructure funding. Then, in 2020, along with the business and civic community, the City supported a county-wide sales tax to fund transit, and in turn, was able to eliminate the 0.3% of its earnings tax that had been allocated to fund the transit system. This reduced the City's earnings tax rate to 1.8%.

Cities in Ohio are funded primarily through the earnings tax. Cleveland, Columbus, Dayton, and Toledo all have an earnings tax of 2.5%. Other cities throughout Hamilton County have earnings taxes that range from 1.0% to 2.0%.

The Futures Commission believes Cincinnati's low earnings tax is a distinct advantage for talent and business attraction and endeavored to advance recommendations that would maintain that advantage. While the City's earnings tax is paid by residents and commuters, the Futures Commission understands that people vote with their feet and have options, some within walking distance of the City, to live and work in a lower tax environment.

With that context, The Futures Commission is prepared to conditionally recommend a 0.15% increase to the City's earnings tax, bringing the total to 1.95%. This total is still within the range of Hamilton County earnings taxes and is more than 20% lower than other large Ohio cities.

Results from quantitative and qualitative surveys conducted by the Futures Commission show mixed feelings among City residents toward an income tax increase. When presented with a list of five options to balance the city budget, residents rank an income tax increase as their second most preferred option. As more details are provided about the tax increase (e.g., how much it would cost households), concern builds. 59% of city residents would oppose an annual increase in income taxes with an average cost of \$100 per household.

The Futures Commission was concerned about the generally high tax burden for the average resident in Cincinnati but noted that the majority of that burden is driven by large property taxes stemming from Cincinnati Public Schools and various county-wide levies that have been supported by voters.

There are two components to this conditionally recommended increase:

- 0.05% to ensure a stable funding structure for the Cincinnati Police and Cincinnati Fire Departments.
- 0.1% to invest in four key growth initiatives – the Sites for Good Jobs Fund, an Affordable Housing Fund, a Neighborhood Growth Fund, and the Lincoln and Gilbert Fund.

Quantitative and qualitative results show public safety as a priority for city residents and non-residents who frequently visit the city. Results from the Cincinnati Futures Commission survey list safety and crime rate as one of the top three factors that would influence city residents to relocate from the City. When non-residents were questioned on deterrents that keeps them from living in the city, safety issues were the most commonly cited reason. Decreasing Fire and Police spending was not supported widely by survey respondents. Only 7% of respondents listed decreasing public safety spending as their first choice of potential policy options to balance the budget, 13% listed it as their second choice, and 15% listed it as their third choice.

This increase, which the Commission believes can be implemented with a single vote of the citizens of Cincinnati, is recommended as a timebound, limited proposal. The Commission believes that this increase in the earnings tax is appropriate solely for these two categories of investment. This recommendation was not universally met with support by Commissioners. There were both Commissioners who believed that an increase in the earnings tax was neither prudent nor necessary, and also Commissioners who believed that the increase was not sizeable enough to meet the City's needs over the coming decade.

PARTIALLY REDEPLOY THE INFRASTRUCTURE INCOME TAX

In May 1988, City voters approved a 0.1% increase to the City's earnings tax to provide additional funding for construction, operation, equipment, repair, and maintenance of the City's infrastructure. Passage of the tax increase was the direct result of recommendations from the Infrastructure Commission Report – a business led effort to analyze the condition of infrastructure across the City. Led by Procter & Gamble Chairman and CEO John Smale, the report worked to develop “an affordable plan that would restore Cincinnati's infrastructure to its former excellent condition, a source of pride and enjoyment to the people of this region.” As part of the strategy, the Commission recommended (and voters subsequently approved as part of the ballot issue) the tax increase be conditional on a certain level of annual infrastructure-related spending.

When the City sold the Cincinnati Southern Railway to Norfolk Southern in 2023, the City received a \$1.6 billion payment that will create a permanent infrastructure trust. The Futures Commission studied the expected returns from the trust and the funding plan created by the City and affirms the findings that the trust will generate enough annual revenue to eliminate the City's deferred capital maintenance deficit over the next decade and allow for a permanent revenue stream to ensure the City's existing infrastructure is well maintained in the future.

RECOMMENDATION: PASS AN ORDINANCE TO REDIRECT A PORTION OF THE EXISTING EARNINGS TAX THAT SUPPORTS INFRASTRUCTURE TO FUND CITY OPERATIONS WITHOUT COMPROMISING THE CITY'S DEFERRED CAPITAL MAINTENANCE ISSUES AND INFRASTRUCTURE NEEDS.

Because the infrastructure trust will be sufficient to cover a significant portion of the City's capital needs, the Futures Commission recommends that a portion of the earnings tax dedicated to infrastructure be redeployed to support the City's general operating budget. The City is not required to hold a vote on this change. It can be adjusted via ordinance. The Futures Commission believes the City should be able to redeploy \$65 million from this funding source over the next decade.

The Futures Commission is only recommending redeploying a portion of these funds because some of the dollars will still be necessary to invest in new infrastructure across the City. It will take time for the investments from the Cincinnati Southern Railway sale to reach a point where it is practical for the City to begin redeploying this revenue to support general operations. For that reason, it is expected that any redeployment should happen in the back half of the decade once the City has developed its strategy to eliminate the backlog and the revenue from the trust is robust enough to support it. Acting before that could risk slowing down the City's ability to manage its capital needs.

Potential Redeployed Revenue: \$65 million over the decade

CONDITIONS FOR EARNINGS TAX SUPPORT

Increasing the earnings tax is something that should not be taken lightly. The Futures Commission believes that it is prudent to only raise the earnings tax at a rate that solves the City's budget challenge and supports a carefully managed City government that is focused on basic services.

The Futures Commission endorses key principles that condition its support for the increase in the earnings tax:

Business Community Support for Earnings Tax is Contingent on Action by City

The business community's support for the proposed earnings taxes is contingent on the City's specific actions taken to reduce the deficit, sell unneeded assets, and deliver on the reforms sought in the report. The Futures Commission agrees there is no assumed business community support for an earnings tax increase that does not come with making progress on the broad-based reforms, efficiencies, and an asset sale process as recommended in this report.

Earnings Tax Increases Should Be Tied to Specific Reforms Via Ordinance

The Commission believes that the earnings tax increase and asset sales must be connected to fully fund the economic growth investments recommended in this report. Any new earnings tax must be obligated to those investments via ordinance prior to being considered by voters.

The Earnings Tax, Contingent on Actions by the City, Funds Four Economic Growth Drivers and Includes Incentives to Sell Underutilized and Unneeded Real Estate Assets

As discussed above, the Futures Commission supports a series of asset sales to fully fund the Economic Growth Drivers. The Futures Commission recognizes that asset sales cannot be used to fund non-capital expenses, and as such, there are state-law limitations to what can be tied directly to asset sales. The increased available investment from asset sales (or other savings) can increase funding for housing and neighborhood investments, proportional to the growth of the asset sales.

Earnings Tax for Public Safety Requires City to Begin Public Safety Efficiency Studies

The Futures Commission agrees the earnings tax for protection of public safety personnel and operations should be tied to confirmation that the City has begun (and/or completed) the Police and Fire operational efficiency studies.

MAKING THE MOST OF THE CITY'S REVENUE STREAMS AND ASSETS

Cincinnati, like all its peers in Ohio, is heavily reliant on the earnings tax to fund operations, making up approximately 70% of the City's overall revenue. This report has already detailed one opportunity – a new trash fee – to diversify its revenue and support operations, but there are other ways the City can make the most of the revenue streams it has that the Futures Commission recommends.

RECOMMENDATION: CAPTURE THE 3% TICKET TAX ON THE INCREMENT BETWEEN THE INITIAL SALE AND RESALE OF TICKETS IN CINCINNATI.

Like most of its peers, the City charges a fee for admission to events located in the City to defray a portion of expenses incurred because of those events. Locked in the City Charter at 3%, tickets to major events like professional sports and concerts are taxed.

In 2023, when Taylor Swift played two concerts at Paycor Stadium, the City derived more than \$1 million to support its operating budget through the admissions tax. Similarly, tickets to Reds games garnered \$2 million in revenue, while FC Cincinnati matches garnered more than \$500,000.

However, when the Commission was doing this analysis, the City was not maximizing the abilities it has to generate revenue under its existing authority. Many cities were already taxing the difference between the original purchase price and the resale price for tickets resold on platforms like Ticketmaster, SeatGeek, and StubHub. As of the beginning of 2024, Cincinnati was not doing so. The Futures Commission was encouraged to learn that the City recently passed an ordinance that will allow it to capture this value. In doing so, the Futures Commission believes the City should expect to derive \$11.7 million over the next decade.

Potential Revenue: \$11.7 million over the decade

RECOMMENDATION: INCREASE PARKING ENFORCEMENT, EXPAND PARKING METER FOOTPRINT, AND ELIMINATE PEAK HOUR PARKING RESTRICTIONS ACROSS THE CITY.

Across the City, Cincinnati manages a significant number of on-street parking assets that manage access to parking throughout the urban core and City neighborhoods. The Department of Community & Economic Development manages the operations of the system, setting hours, rates, managing enforcement, and more. Currently, the parking meter fund generates just over \$3.6 million per year, of which \$1.5 million currently supports the general fund.

The Futures Commission is recommending three improvements to the parking system that will strengthen it as a tool to support business districts and derive additional revenue to the City.

First, the Futures Commission recommends that the City increase parking enforcement of its existing parking assets. During the pandemic, the City significantly scaled back its enforcement, and it has not ramped those efforts back up to the level necessary to encourage proper use of the system. Increased enforcement is not just about enforcing turnover at parking meters (or issuing meter citations), it is also about ensuring access to the curb is available for the other uses the City believes are important – handicap parking, loading zones, residential parking permitted areas, and more. Based on conversations with the community, it is important that the City manage how aggressively it enforces meters and ensure that it is enforcing equitably across the City. However, the Commission believes there is capacity to increase enforcement while maintaining a reasonable and welcoming environment for people utilizing the parking system.

“Parking is definitely a big issue, right? We have a big place, we have a destination, people come and say, ‘hey, look, I drove around four times before I can’t go to your business.’ It’s heartbreaking.” – Business Owner

Second, the Futures Commission recommends eliminating peak hour parking restrictions on major corridors during morning and afternoon windows. This change will make meters available across the City for residents and commuters to stop in shops and restaurants where there are currently very few options. It will also allow the City to collect an additional four hours of meter revenue during the work week. Finally, and perhaps most importantly based on our community conversations, eliminating peak hour parking restrictions will improve pedestrian safety along major corridors. Allowing parking to utilize the curb on major corridors reduces the flow of traffic to fewer lanes and creates a buffer between traffic and pedestrians. The City has done this in some neighborhood business district corridors already to positive effect. On Hamilton Avenue in Northside, for example, the City piloted an elimination of peak hour parking restrictions and saw nearly 20% reduction in speed in the busiest parts of the Northside business district during evening peak hours.

The City last conducted a comprehensive parking master plan more than a decade ago. The Commission recommends it review the current on-street parking footprint and identify additional places across the City where development patterns have changed to add additional metered parking to the system.

If the City were to implement these changes, it could generate an additional \$10 million in parking revenue over the next decade.

Potential Revenue: \$10 million over the decade

MAKING THE MOST OF THE CITY'S REVENUE STREAMS AND ASSETS

The City of Cincinnati is a sprawling and complex organization that owns and operates real estate facilities across the City. Some of those facilities – like parks, recreation centers, police stations and firehouses – support core operations and provide valuable services and amenities to City residents. However, the City also owns and operates assets that are not core to its mission and have the potential to drive revenue to the City or be utilized to incentivize development that has a higher and better use toward the City's overall growth goals.

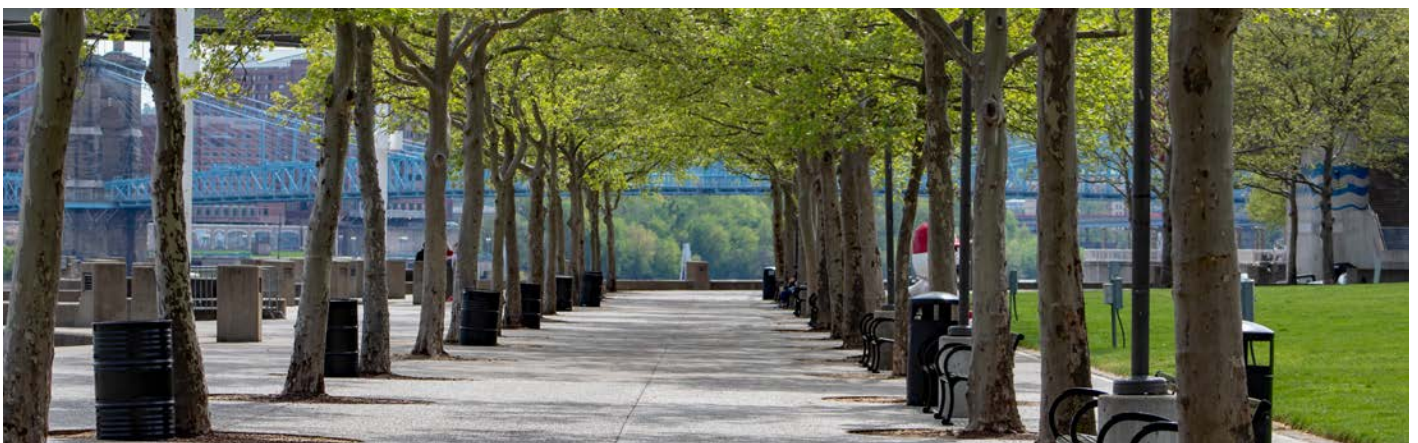
The Futures Commission recommends that the City take stock of all its assets and divest of the assets that do not support the City's focus on core services or could be repositioned to support growth. The Futures Commission reviewed a number of assets that will be detailed below, but this list is by no means exhaustive, and the Futures Commission recommends that the City convene a short-term task force with business and real estate leaders to take stock of its assets and develop a plan above and beyond the ones identified in this report. Moving forward, the City should consider maintaining a comprehensive catalogue of its real estate holdings and assess them regularly to understand whether the asset is serving a critical city function, and if not, whether it could serve a better use.

GOLF COURSES

The City owns and operates six golf courses across the region, including three outside of the City limits. The funding for these courses is maintained in a restricted fund at the City, meaning that revenue from golf must be reinvested in the courses and cannot be utilized to support other City services. Selling these assets would allow the City to utilize the funds to support capital needs for the City beyond the golf business.

Across the six courses, The Futures Commission's analysis shows that the City could expect to receive between \$6.5 million to \$27.3 million if it chose to sell the golf courses. Ohio has experienced a healthy transaction market for golf courses, with over 50 golf sales since the first quarter of 2022. The highest market value contemplates redevelopment opportunities outside of golf, which could prove difficult for some of the City courses based on their location and other restrictions placed on the land. The other alternative would be for the City to sell the land to a private golf operator for a value at the lower end of the range of values provided to Commissioners, which would still garner a significant sum.

In essence, an outright sale of these assets provides the most opportunity to maintain golf services in and around the City while also creating the most flexible pool of dollars. However, if the City does not want to sell the courses, it could lease them to a private operator, saving funds but not impacting its overall infrastructure and real estate needs.



LUNKEN AIRPORT

Lunken Airport is primarily used by general aviation and corporate charter flights and has never needed to access general fund dollars. All funds from the operations of the airport are restricted to use on the airport. Currently, the City's Department of Transportation & Engineering manages the operations of the airport. As it stands today, Lunken is operating at about half of its potential capacity, indicating an opportunity to grow business in the general aviation and corporate charter sectors.

The Futures Commission's analysis estimates the value of the airport between \$8 million and \$27 million, although that valuation does not factor in the needed short and mid-term capital improvements, estimated at \$105 million, which could impact the price of a lease.

The Commission recommends that the City explore a lease opportunity with CVG Airport. Leasing Lunken to CVG not only gets the City out of a business that is not core to the needs of City residents and that it does not have deep expertise in operating and maintaining, but it also creates economies of scale between the region's largest, growing airport and Cincinnati's municipal airport. Importantly, CVG already has experience leasing and managing general use airports. In 2021, CVG entered into an agreement with Miami University to operate the Miami University Airport (OXD), maintaining that facility's operations in general aviation supporting corporate travel, training, and recreation flights. Cincinnati has a similar opportunity to leverage the experience of the experts at CVG at Lunken Airport.



PARKING FACILITIES

The Futures Commission also analyzed a number of City-owned parking assets that could present development or sale opportunities for the City, including:

- Groton Lot – 31 Garfield Place (0.20 ac/45 spaces)
- McFarland Lot – 3 E. Freedom Way (1.5 ac/345 spaces)
- L&N Loop Lot – 690 E. Pete Rose Way (1.5 ac/116 spaces)

A preliminary analysis identified the potential revenue from the sale of these lots to be between \$6.2 million and \$14 million, however, the City could also utilize this real estate as an incentive for development rather than selling the land for cash. The L&N Loop lot seems ripe for development with its proximity to the Lytle Park renovations and the improvements being made on the east side of downtown.

ADDITIONAL REAL ESTATE DEVELOPMENT ASSETS

The Futures Commission also assessed a number of parcels around the City that could be ripe for higher and better use that the City could consider for sale or use to incentivize development. While this report details two such opportunities, Commissioners themselves discussed multiple other opportunities based on their knowledge and experience in the City, further demonstrating the usefulness of a more thorough examination led by the proposed task force.

One example parcel is 3101 Burnet Ave., the Cincinnati Health Department headquarters. This parcel sits squarely in the heart of Uptown along a prominent intersection across from the growing University of Cincinnati campus. This is a key corridor for job growth in the City, as it has been identified as part of the State of Ohio's Innovation District designation, and is along the route of one of the proposed bus rapid transit corridors that Cincinnati Metro has under development.

An analysis of this site produced an estimated value of \$1.2 million to \$4.9 million. The City has currently identified the Health Department headquarters as a building in need of repair or replacement, making now the perfect time to assess whether this location is the right place for these important services to be located in the future. The Futures Commission believes the City should consider relocating the Health Department and utilizing this property to incentivize development in the burgeoning Uptown job hub.

The Futures Commission also identified 68 Shadybrook Dr. as an opportunity to incentivize the creation of new housing in Roselawn. The estimated value of the property is between \$705,000 to \$1.9 million.

This parcel is likely best positioned for residential development in part because it does not front Vine Street or Galbraith Roads, hindering the ability to do more mixed-use development. The parcel sits adjacent to the Roselawn Recreation Center, which the Futures Commission is not recommending including as part of this sale.

Potential One-Time Revenue: \$34.5 million over the decade

Savings/Revenue Generator	10 Year Analysis
Public Safety Optimization	\$35,600,000
Parks and Rec Optimization and Strategic Regionalization	\$34,500,000
Gainsharing	\$10,000,000
CSR Savings	\$5,800,000
Trash Fee	\$164,000,000
Ticket Tax Resale	\$11,700,000
City Assets	\$34,500,000
Parking Meter Enforcement & Expansion	\$10,000,000
Earnings Tax Increase	\$357,000,000
Redeploy Partial Infrastructure Commission Tax	\$65,000,000
Total:	\$728,100,000



CONCLUSION

Over the last year, the Futures Commission has led a comprehensive review of the City’s financial challenges and strengths, creating a path forward that will lead to sustainable City operations and a structurally balanced budget. In addition, the Futures Commission examined dozens of strategies that would accelerate growth within the City, creating economic opportunity, reducing disparities, and stimulating growth of our City’s population.

A financial review and economic agenda review would have been a sufficient task with meaningful recommendations. But it was the third focus area of the Futures Commission’s work that may have added the most insight to this final report. Commissioners heard from hundreds of citizens, residents, stakeholders, visitors, and leaders. And through those conversations, one theme emerged. The long-term success and growth of Cincinnati is important to everyone. People believe in this City. They believe in its impact on the region, keenly understanding that a successful Cincinnati leads to success and economic opportunity in other neighborhoods, townships, villages, and counties within our region. People are rooting for this City.

This common theme indicated a willingness to make tough choices for the betterment of the City as a whole. Residents saw that the City’s ultimate success was tied to their own happiness and opportunity, and they were willing to do a little more, pay a little more, change a little more, if it resulted in a better City in the long run. Many Commissioners rightly identified this as a strength of Cincinnati – a strength that not every City has. It is this unique passion and belief in our future that gives this Cincinnati Futures Commission the ability to propose the bold recommendations contained in this report.

In short, if the City and its elected and appointed leaders adopt the recommendations contained in this plan, the result will be transformational for Cincinnati and its citizens.

	10 YEAR ANALYSIS (REVENUE & SAVINGS)	10 YEAR ANALYSIS (INVESTMENTS)
10-year Deficit		\$438,000,000
Ongoing Investments		\$290,000,000
Cost Savings	\$95,900,000	
New Revenue	\$532,700,000	
Redeployed Revenue	\$99,500,000	
TOTAL	\$728,100,000	\$728,000,000

The Futures Commission recommends utilizing existing dollars held in reserve to invest in the one-time expenses recommended in this report.

CINCINNATI FUTURES
COMMISSION | A VISION FOR THE
FUTURE OF CINCINNATI

FINAL REPORT

Via Electronic Mail

April 24, 2024

Mr. Jon Salstrom
Cincinnati Retirement System
801 Plum Street, Suite 328
Cincinnati, Ohio 45202

Re: Schedule of Funded Ratios under Two Alternative Funding Scenarios

Dear Jon:

As requested, we have prepared the Schedule of Funded Ratios in compliance with the Collaborative Settlement Agreement based on the projection model accompanying the December 31, 2022 actuarial valuation under two alternative funding scenarios for the System to be projected to be fully funded by December 31, 2045. The scenarios are as follows:

- Scenario A: An anticipated lump sum of \$680 million in 2027 (assumed to be made in 4th Calendar Quarter for modeling) while lowering the City contribution rate to 11.65% of full-time payroll
- Scenario B: An anticipated lump sum of \$450 million in 2027 (assumed to be made in 4th Calendar Quarter for modeling) while continuing the City's current contribution rate of 17.00% of full-time payroll

The projected funded ratios in the attachment reflect the actuarial liabilities divided by the actuarial value of assets projected as of each of the December 31 measurement dates shown below. The projected funded ratios assume that all the assumptions in the December 31, 2022 actuarial valuation are realized. As advised by the System, we have reflected an assumed investment return of 11.7% for 2023 and 7.50% for all future years thereafter. In addition to the ongoing City contribution rate on full-time payroll, all projections reflect the City's contributions totaling \$2.7 million annually (last amount to be paid July 2035) for the Early Retirement Incentive Program and the \$2.0 million lump sum from the General Fund made in July 2023. Future projections may differ significantly from those presented in this letter due to such factors as the following: Plan experience differing from that anticipated by the assumptions, changes in assumptions, and changes in Plan provisions or applicable law.

In preparing these projections, we relied on the same census data, assumptions and methods used in performing the December 31, 2022 valuation. All the caveats in that report still apply.

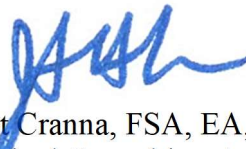
If you have any questions, please let us know.

Sincerely,
Cheiron



Kevin J. Woodrich, FSA, EA, MAAA
Principal Consulting Actuary

Attachment



Janet Cranna, FSA, EA, MAAA, FCA
Principal Consulting Actuary

ATTACHMENT

Calendar Year	Scenario A		Scenario B	
	City Contribution Rate (% of Full-Time Payroll) as of July 1,	Funded Ratio as of December 31,	City Contribution Rate (% of Full-Time Payroll) as of July 1,	Funded Ratio as of December 31,
2023	17.00%	68.8%	17.00%	68.8%
2024	11.65%	67.3%	17.00%	67.5%
2025	11.65%	65.4%	17.00%	66.2%
2026	11.65%	62.0%	17.00%	63.4%
2027	11.65%	86.5%	17.00%	79.8%
2028	11.65%	86.7%	17.00%	80.1%
2029	11.65%	86.8%	17.00%	80.3%
2030	11.65%	87.1%	17.00%	80.7%
2031	11.65%	87.3%	17.00%	81.1%
2032	11.65%	87.7%	17.00%	81.6%
2033	11.65%	88.1%	17.00%	82.2%
2034	11.65%	88.5%	17.00%	82.9%
2035	11.65%	89.1%	17.00%	83.7%
2036	11.65%	89.6%	17.00%	84.5%
2037	11.65%	90.3%	17.00%	85.5%
2038	11.65%	91.0%	17.00%	86.7%
2039	11.65%	91.9%	17.00%	88.0%
2040	11.65%	92.9%	17.00%	89.5%
2041	11.65%	94.0%	17.00%	91.2%
2042	11.65%	95.3%	17.00%	93.1%
2043	11.65%	96.7%	17.00%	95.2%
2044	11.65%	98.2%	17.00%	97.6%
2045	11.65%	100.0%	17.00%	100.2%

Funston Performance Audit - Summary of Recommendations

Assignment

	Board	Board, Adm.	Priority	Board	Governance	IC	Staff	Performance evaluation	Audit
<u>1. Legal and Regulatory</u>									
1.1 Improve definition and clarity of roles and authorities of:									
• The Board of trustees	X		X						
• Board chair	X		X						
• Individual trustees	X		X						
• City Council and Mayor		X							
• City Manager and City Finance Director		X							
• CRS Director		X							
1.2 The City should expand Board of Trustees personnel authorities to align with the Board's responsibilities, for example, naming the CRS Director as a direct report to the Board, with authority to hire/fire, evaluate, and set compensation.		X							
1.3 The City Solicitor should provide the Board of Trustees with independent external legal counsel or establish a policy and process that allows CRS to retain independent external counsel and/or hire internal CRS counsel to address potential conflicts of interest associated with the City Solicitor's representation of other clients on the same matters.		X	X						
1.4 Confirm the Board's authority, as the named fiduciary, to contract with actuaries, investment consultants, investment managers, custodial banks, benefit providers, and legal counsel, all of which require unique pension and investment expertise.		X	X						
1.5 The City Manager should allow CRS trustees who are not City employees to vote on CRS procurement decisions; the Board, as fiduciaries, should have final authority on those decisions.		X	X						
1.6 If the CRS Board is not given authority to hire/fire/evaluate/compensate the Director, work with the City Manager to develop a Memorandum of Understanding that addresses the City Manager's role as a potential fiduciary and formalizes procedures where the Board and City Manager, Finance Director or other officers have overlapping responsibilities (e.g., setting goals for and evaluating the Executive Director); CRS may need to consider options for engagement of independent fiduciary legal counsel to assist with this initiative.		X	X						
<p>GREEN - SHORTER TERM COMPLETION RED - LONGER TERM COMPLETION Board - CRS Board has authority to complete Board, Adm. - CRS Board and City Administration have shared authority to complete Priority - CRS Board priority to complete as soon as possible Note: Some Recommendations may require CSA update.</p>									
<u>2. Governance Framework</u>									
2.1 Aggregate and organize the Board policies from all sources into a Board Governance Manual with online access and links to underlying document provisions; include the mission statement, goals, trustee responsibilities, committee charters and the Code of Ethics.		X	X						
2.2 Develop new policies or formalize current policies and practices for:									
• Trustee personal financial disclosures	X								
• Board self-evaluation / Board education policy	X								
• Funding		X							
• Separate investment policy statement for the 115 trust fund that is tailored to its liabilities	X								
• Strategic planning, in coordination with the City		X							
• Collection of claims in securities class actions	X								

	<u>Board</u>	<u>Board, Adm.</u>	<u>Priority</u>	<u>Board</u>	<u>Governance</u>	<u>IC</u>	<u>Staff</u>	<u>Performance evaluation</u>	<u>Audit</u>
• Succession planning, in cooperation with relevant City appointing authorities		X							
• Business continuity and resumption		X							
• Independent governance and benchmarking reviews		X							
• External communications by Board members	X								
• Due diligence and reporting for referral of service provider candidates by trustees, along with limits on candidate contacts with trustees during an RFP process	X								
2.3 Reduce the size of each committee to three or five members to better utilize trustee time.	X								
2.4 Adopt a consent agenda for approval of routine business and reports.	X								
2.5 Conduct periodic board retreats for more in-depth discussion on key topics, conducting board self-evaluations and executive director evaluations, and trustee education.	X								
2.6 Following implementation of the recommendations in this report, conduct a biennial self-evaluation process, potentially with external assistance; this process should help to inform educational priorities.	X								
2.7 Define ongoing training requirements for Board members, including onboarding plan for new trustees and required fiduciary training; link training to board self-assessment findings and the calendar of Board agenda action items.	X		X						
2.8 Formalize a CRS stakeholder communications plan that identifies key stakeholders, communications responsibilities, and messages and objectives.		X							
2.9 Issue new system email accounts to be used by trustees for all CRS-related business.	X		X						
2.10 Discuss with the Director and the investment consultant how reporting could be improved and executive summaries better utilized to enhance trustee understanding and insight.		X	X						
2.11 Appoint a Board Audit Committee with oversight of internal and external audits to commission an independent financial audit and obtain internal audit services from the City Internal Audit Department and/or an independent firm; include oversight of enterprise performance and risk in the committee charter responsibilities.		X	X						

3. Investment Program and Operations

3.1 Develop a separate Statement of Investment Beliefs (SIB) to guide development and implementation of the strategic asset allocation.	X								
3.2 Develop a liquidity policy as part of the Investment Policy Statement (IPS) to ensure that the cash needs of the organization are effectively and efficiently met.	X		X						
3.3 Develop a separate IPS for the 115 Trust (Health Care Trust) that reflects the unique liability structure of the 115 Trust.	X		X						
3.4 Extend the time horizon for the strategic asset allocation to 3-5 years and only make changes to the target asset allocation as part of a comprehensive Asset Liability Study.	X								
3.5 Include a more comprehensive rebalancing policy in the IPS that describes how rebalancing is linked to the Board's investment philosophy and what the process should be.	X								
3.6 Discuss with Marquette Associates how reporting might be improved through development of an introductory executive summary, with an exception reporting approach, to the quarterly reporting package focused on actual performance compared to the IPS.	X		X						

4. Pension Operations

4.1 Clarify the Board's responsibilities and role (or lack thereof) in pension and benefits administration.		X	X						
4.2 Consider if pension staffing resources and capabilities should be improved through Implementation of a member contact center telecommunications system.		X	X						
4.3 Develop a long-term plan with service, performance, and cost objectives, to ensure that member self-service, website redesign, and other improvements, are all developed and implemented in a coordinated manner and achieve desired results.	X								
4.4 Charter a pension administration cost and performance benchmarking report.	X								
4.5 Consult with its actuary and determine if an adjustment to the investment assumed rate of return should be recommended.			X						
4.6 Develop and adopt a formal actuarial and funding policy describing responsibilities and frequency of actuarial and asset/liability study processes and addressing investment, demographic and benefit risks.	X		X						

5. Administrative Operations

	<u>Board</u>	<u>Board, Adm.</u>	<u>Priority</u>	<u>Board</u>	<u>Goverance</u>	<u>IC</u>	<u>Staff</u>	<u>Performance evaluation</u>	<u>Audit</u>
5.1 Develop succession planning and implement a cross training program for staff to minimize key person risk and enhance staff development.		X							
5.2 Work with the City Administration and the Law Department to delegate authority to the CRS Board to engage external counsel to obtain more timely legal support or unique expertise when appropriate. See also Recommendation 1.3.		X	X						
5.3 Develop a long-term IT plan that identifies future needs.		X							
5.4 Work with the City Enterprise Technology Solutions (ETS) Department to ensure security is adequate and tested.		X	X						
5.5 Update the documented disaster recovery plan.		X	X						

6. Compliance

6.1 Assign leadership, training, and monitoring responsibilities for compliance to ensure compliance with conflict of interest and ethics policies.		X	X						
6.2 Develop a repository of risk-ranked compliance requirements.		X							
6.3 Establish tracking mechanisms to identify and escalate non-compliance.		X							

GREEN - SHORTER TERM COMPLETION

RED - LONGER TERM COMPLETION

Board - CRS Board has authority to complete

Board, Adm. - CRS Board and City Administration have shared authority to complete

Priority - CRS Board priority to complete as soon as possible

Note: Some Recommendations may require CSA update.

Cincinnati Retirement System



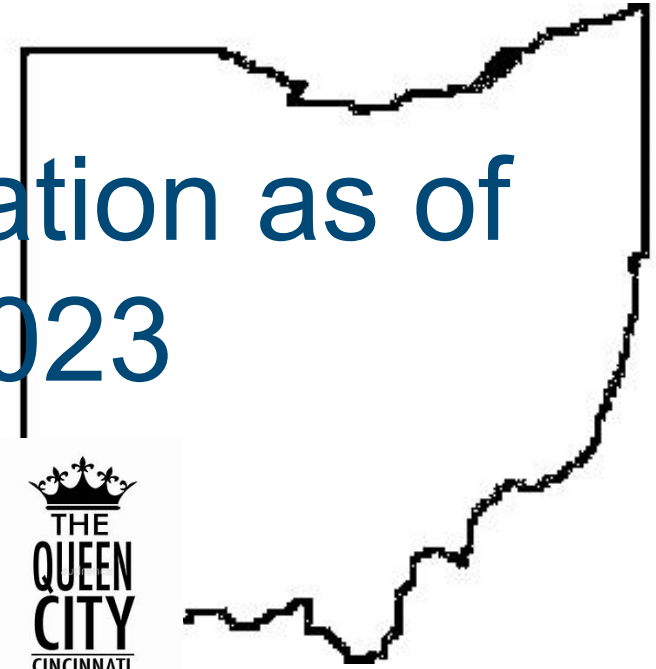
Pension Actuarial Valuation as of December 31, 2023

May 2, 2024

Presented by

Kevin Woodrich, FSA, EA, MAAA

Janet Cranna, FSA, EA, MAAA



Agenda



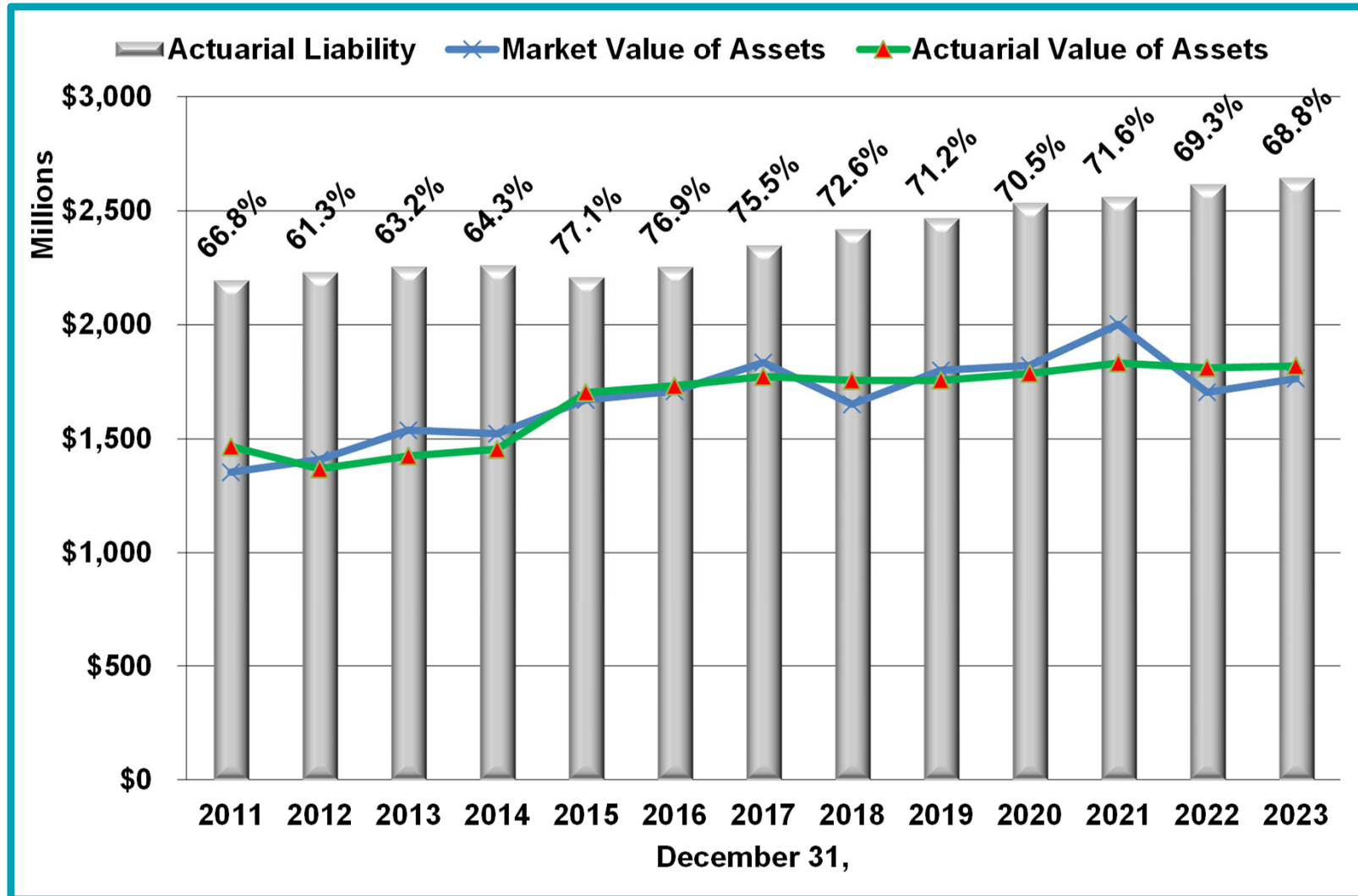
- Historical Trends
- December 31, 2023 Valuation Results
- Stress Testing
- ASOP 4



Historical Trends

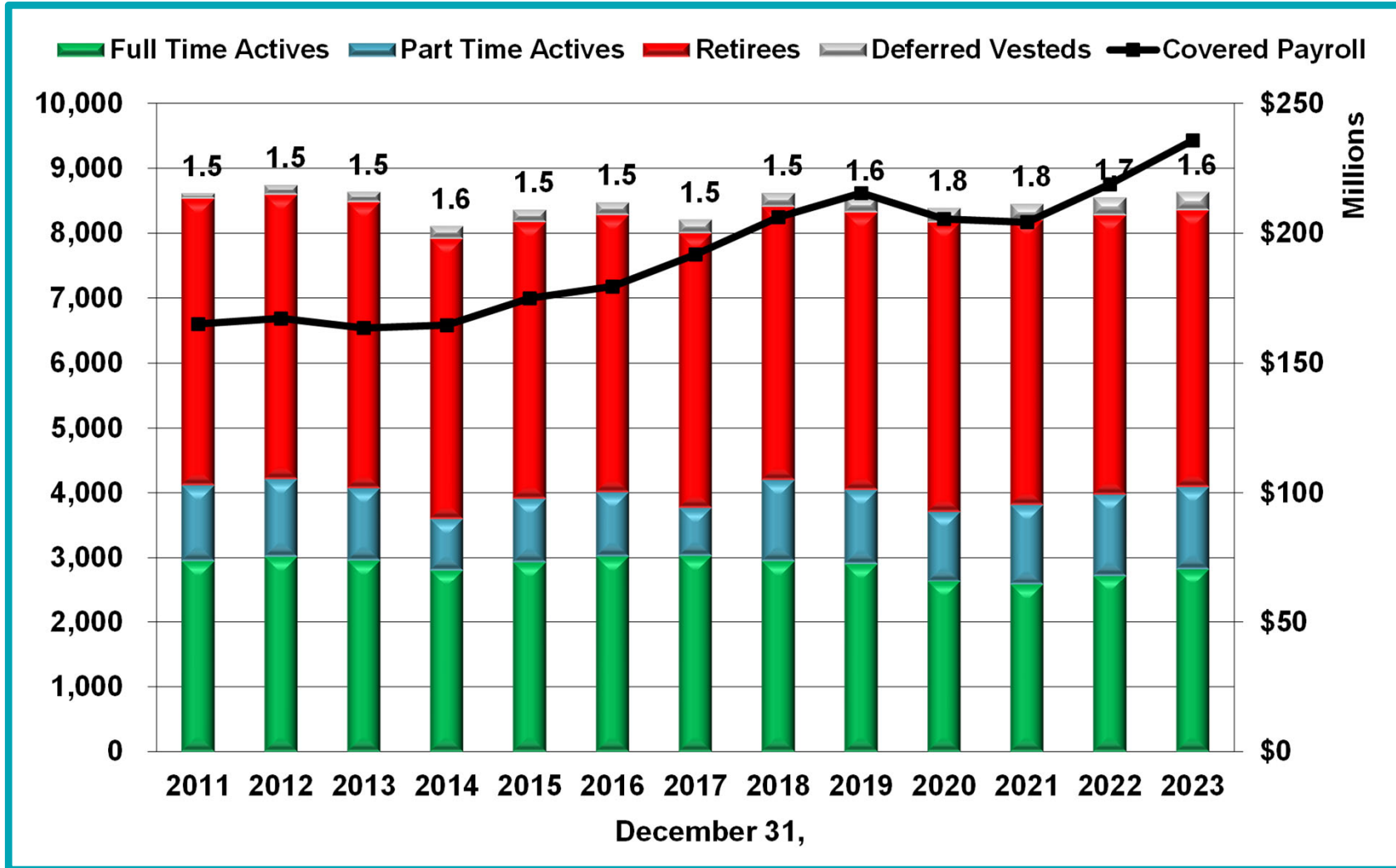


Assets and Liabilities



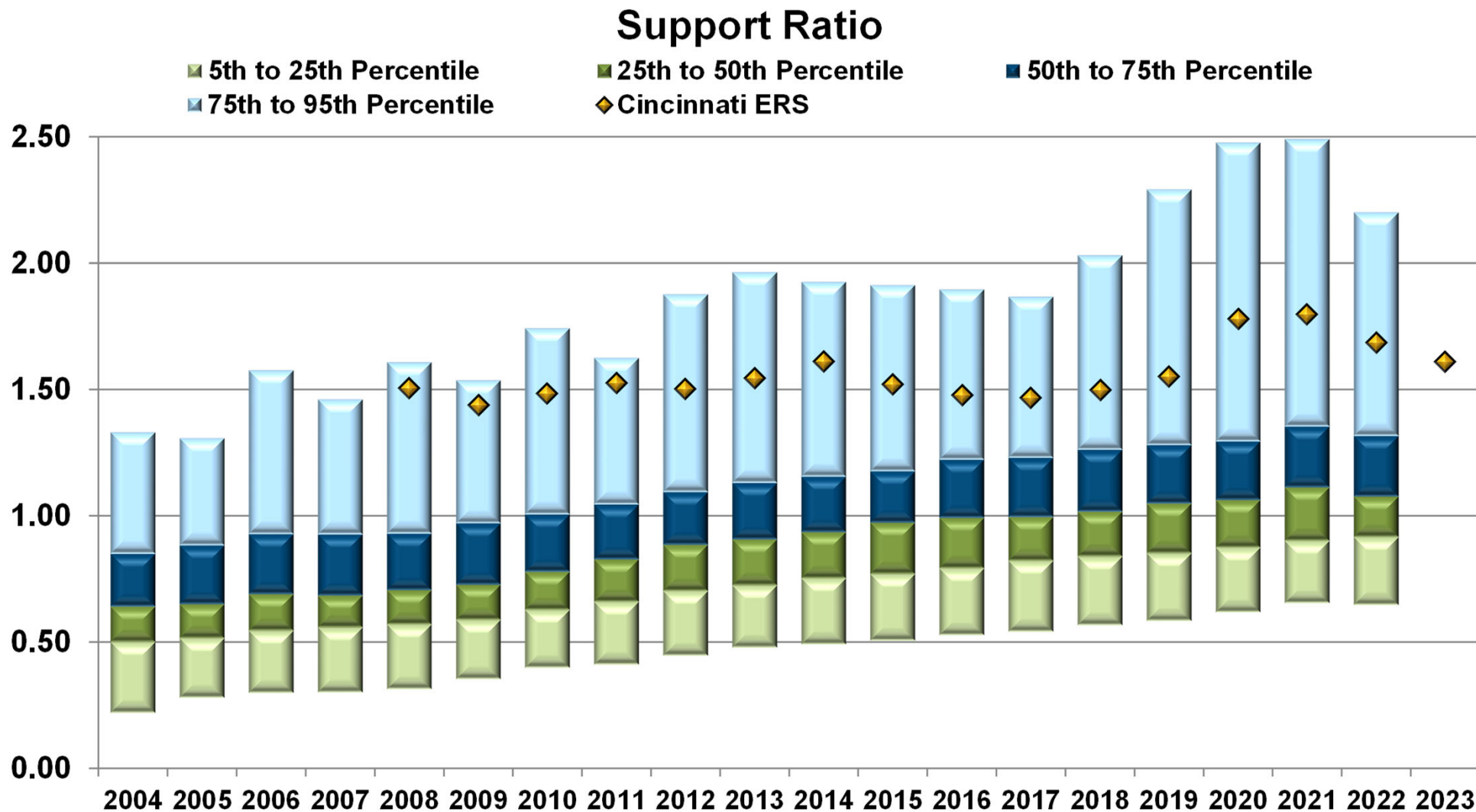
Funded status shown above bars is Actuarial Value of Assets divided by Actuarial Liability.

Membership Trends



Support ratio above bars is the ratio of the number of inactive (Retirees and Deferred Vested) per active (Full-Time only). Payroll includes Full-Time and Part-Time actives for years shown. Beginning in 2018, amount includes payroll of DROP participants.

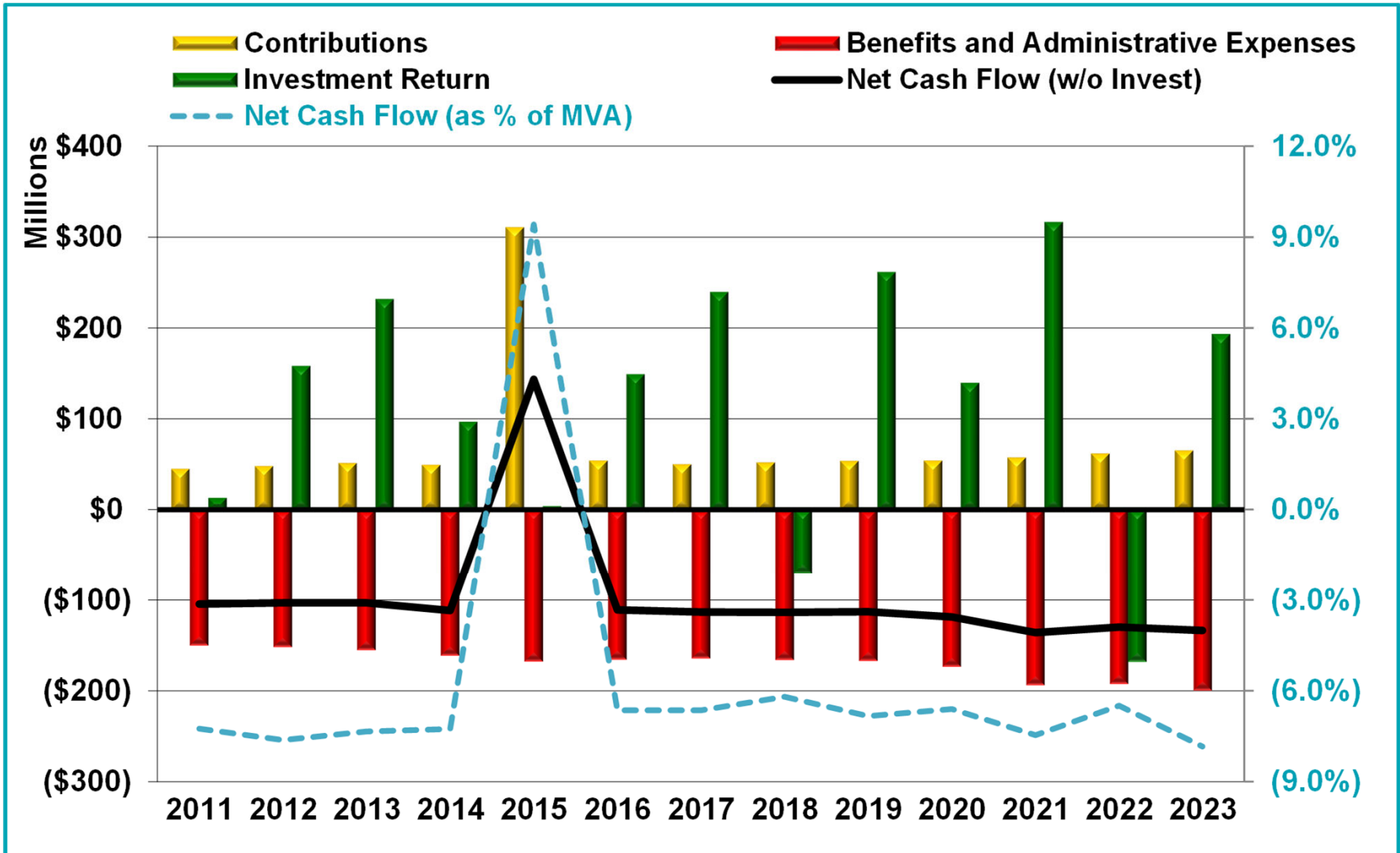
Public Survey Comparisons



Survey Data from Public Plans Data as of 1/24/2024

Support ratio is the ratio of the number of inactive (Retirees and Deferred Vested) per active (Full Time only).

Cash Flows



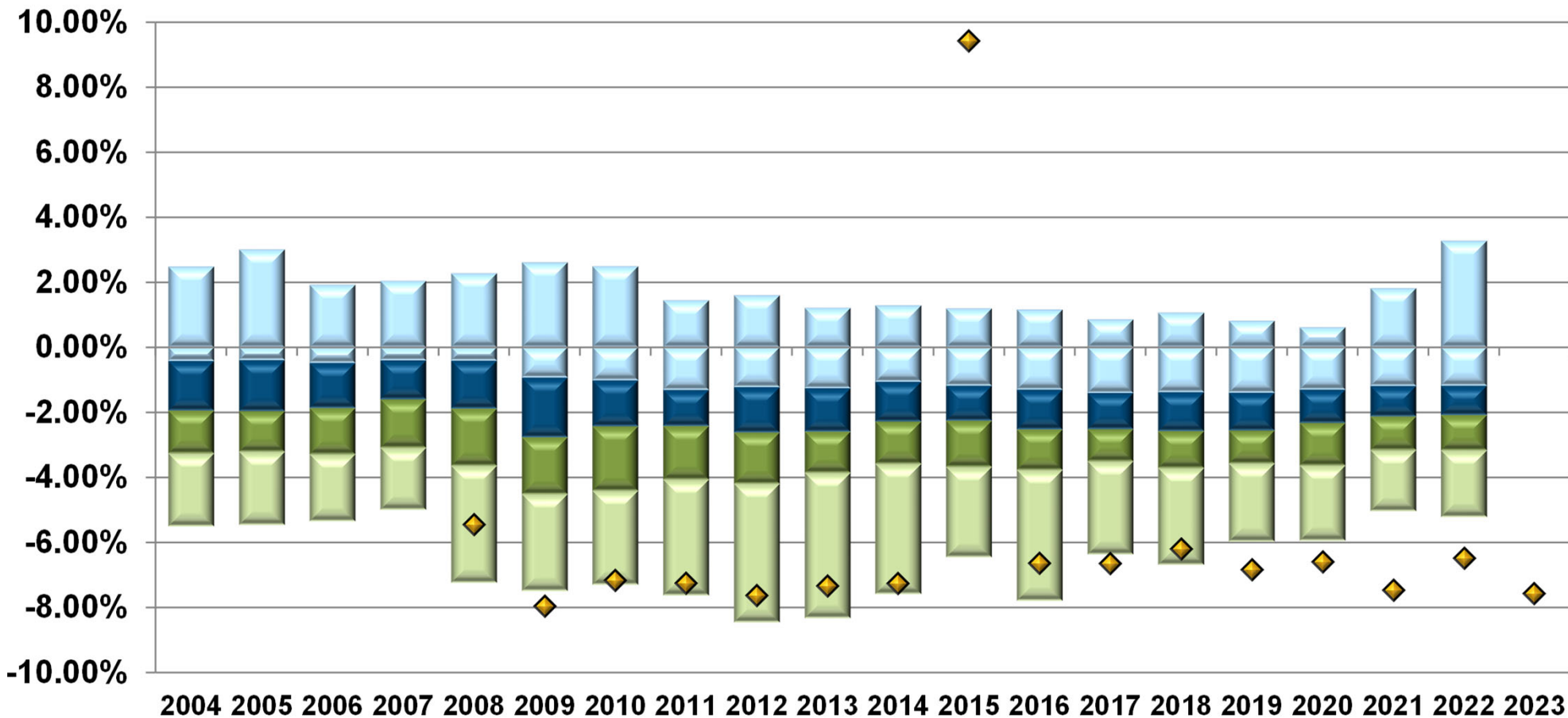
For 2015, there was an additional contribution of \$220.0 million per the CSA and \$17.9 million for transferred earnings and expenses.

Public Survey Comparisons



Net Cash Flow Rate

- 5th to 25th Percentile
- 25th to 50th Percentile
- 50th to 75th Percentile
- 75th to 95th Percentile
- ◆ Cincinnati ERS

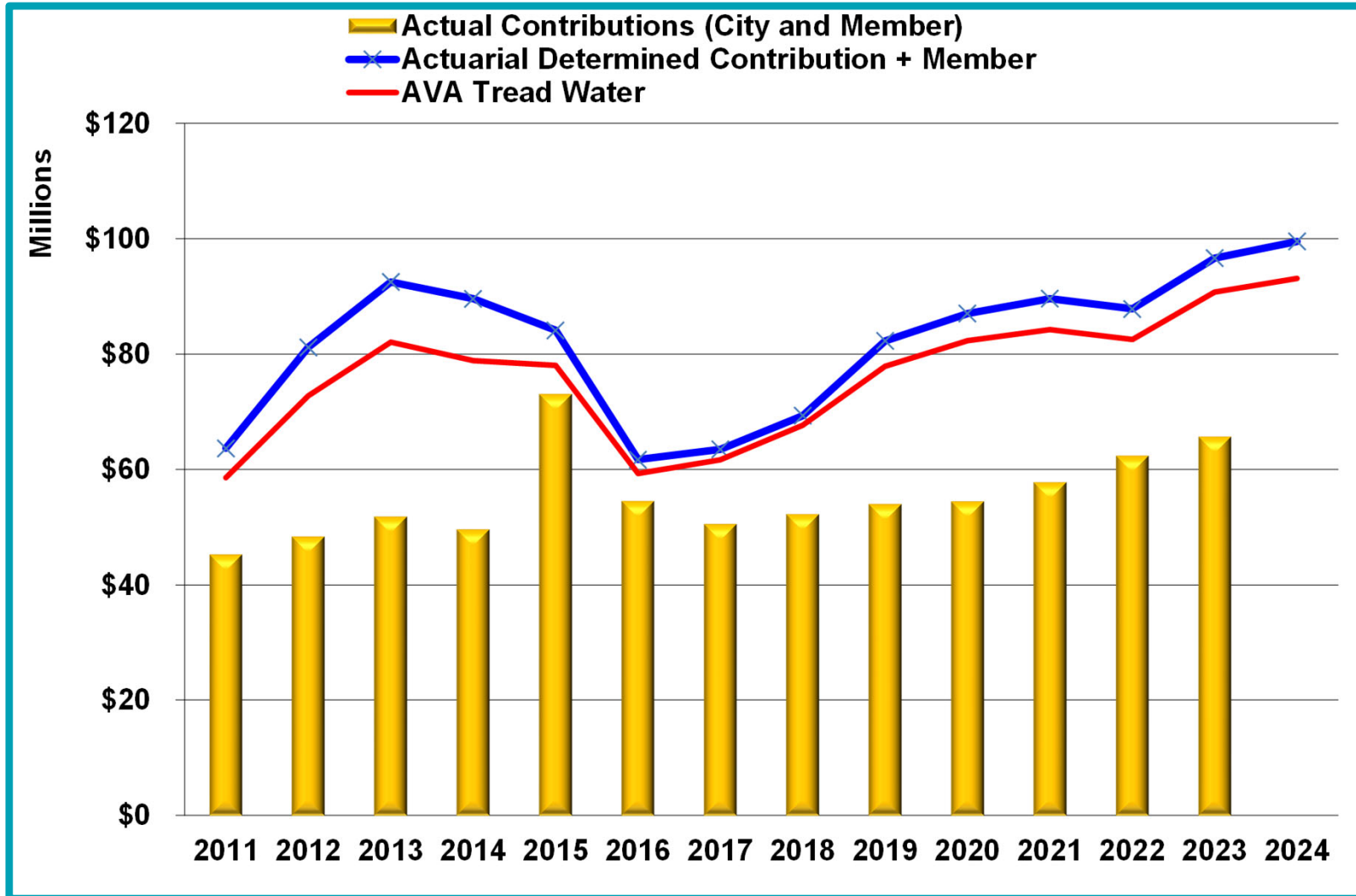


Survey Data from Public Plans Data as of 1/24/2024

For 2015, there was an additional contribution of \$220.0 million per the CSA and \$17.9 million for transferred earnings and expenses.

May 2, 2024

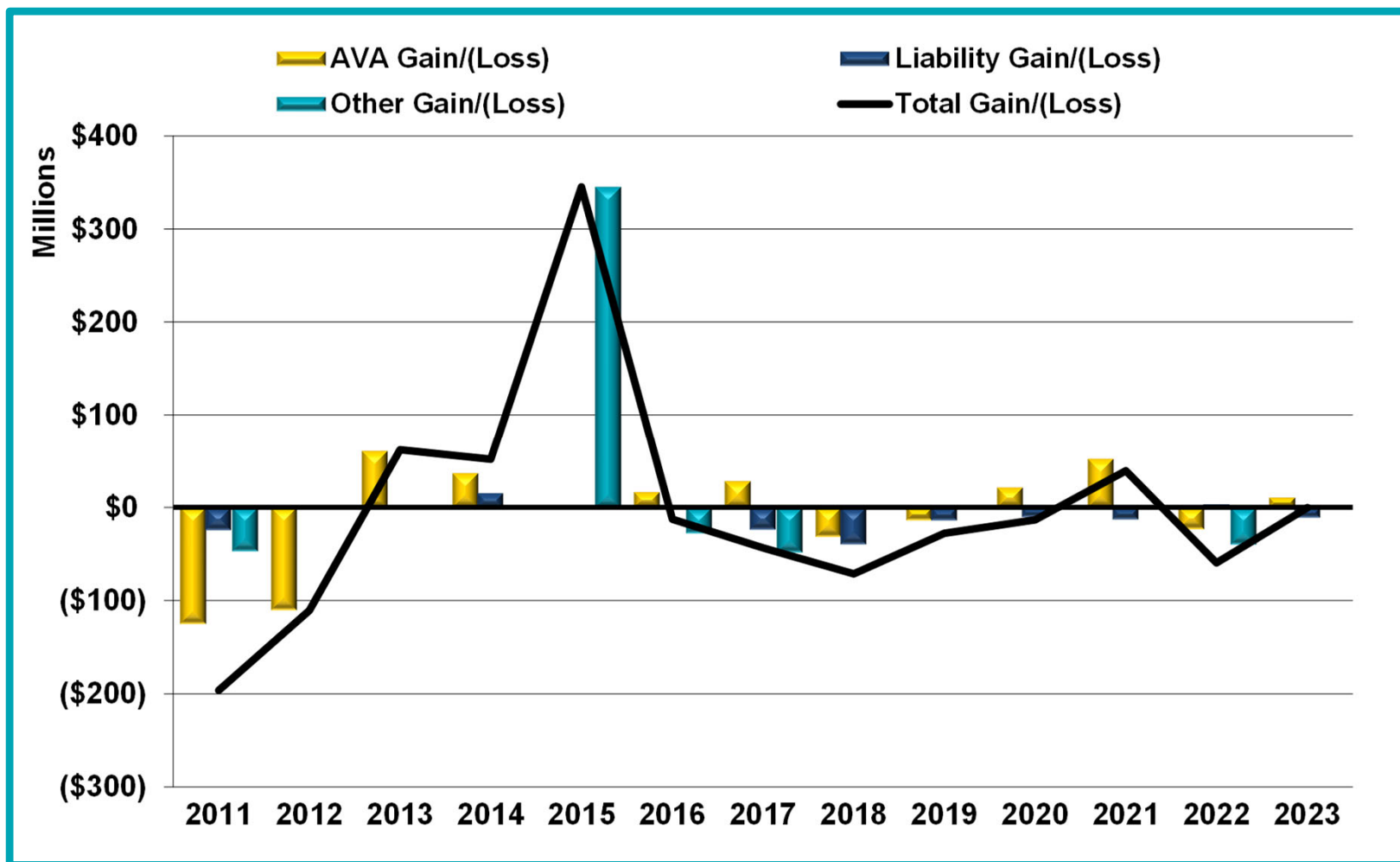
Contributions versus ADC



Actuarial Determined Contribution (ADC) calculated as of December 31 preceding year shown. ADC based on 20-year layered level dollar amortization of UAL starting December 31, 2023 valuation (previously based on 30-year level dollar open amortization).

For 2015, there was an additional contribution of \$220.0 million per the CSA and \$17.9 million for transferred earnings and expenses.

Actuarial Gain/(Loss) History



Other Gain/(Loss) includes assumption, method or plan changes.



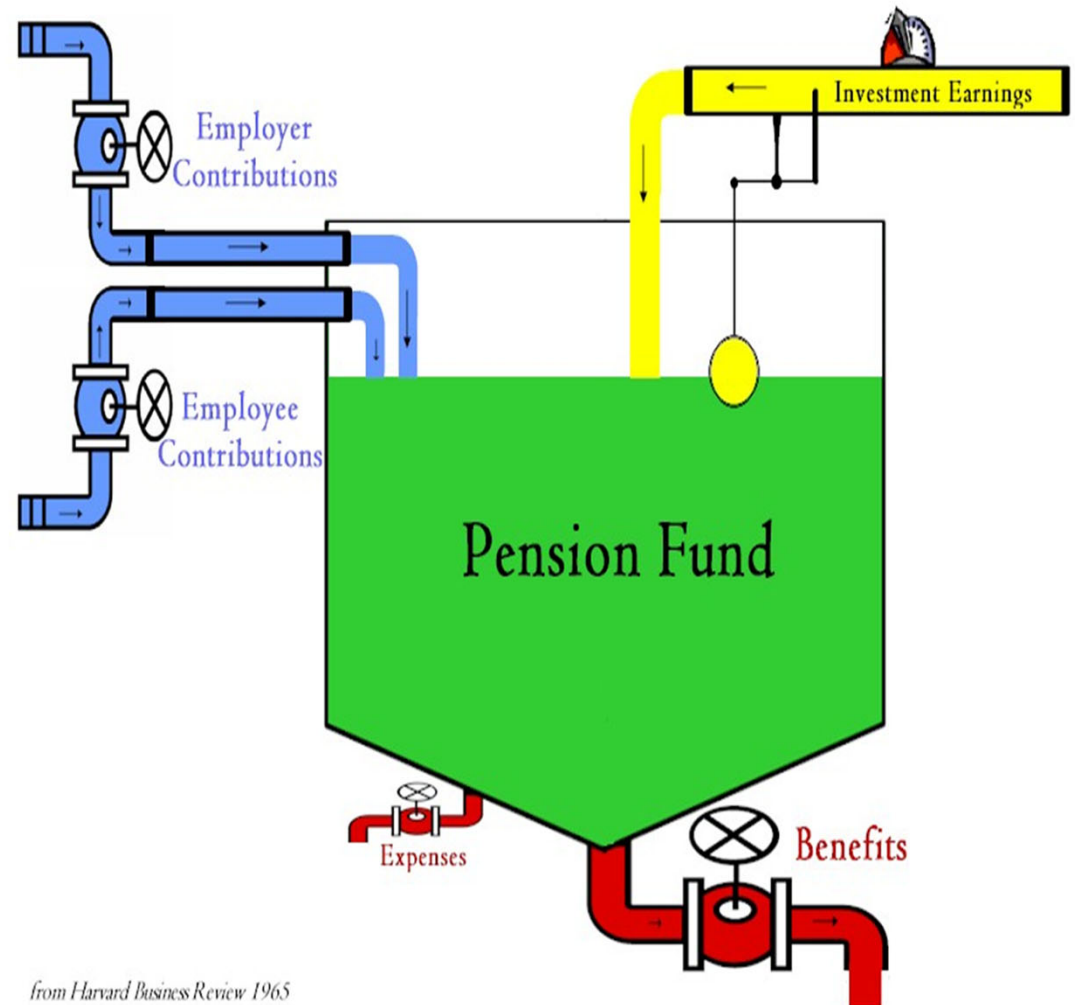
December 31, 2023 Actuarial Valuation Results



The Actuarial Valuation Process



1. Collect information
 - Member data
 - Plan provisions
 - Asset information
2. Apply assumptions
 - Demographic
 - Economic
3. Project all future benefit payments
4. Determine a present value of the benefits
5. Compare to assets
6. Calculate employer and employee contributions



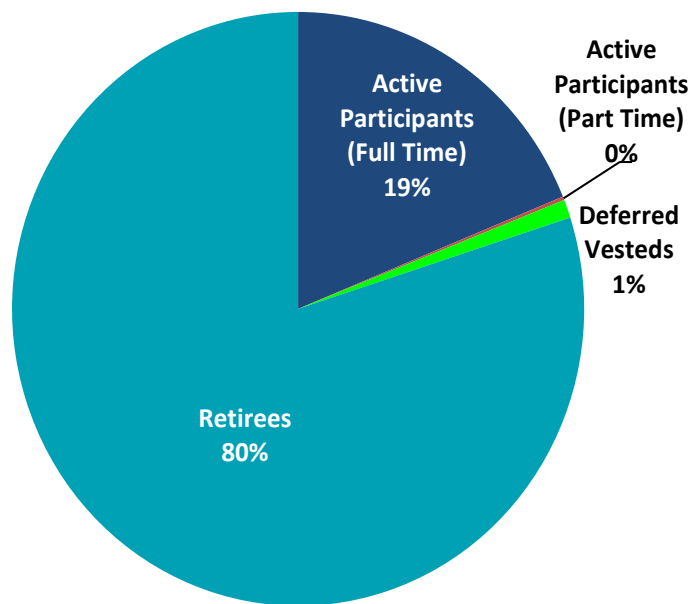
from Harvard Business Review 1965

Key Results

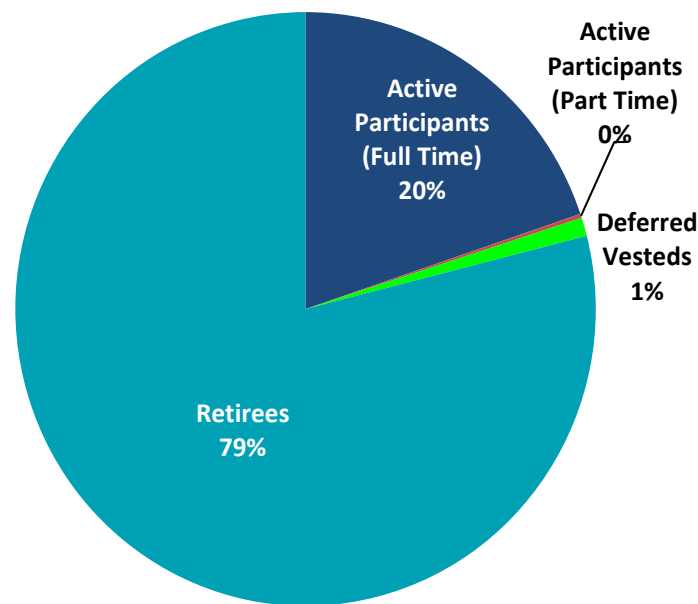


- Return on Market Value of Assets = 11.81% (dollar-weighted)
- Return on Actuarial Value of Assets = 8.12%
- Actuarial Determined Contribution rate decreased from 34.02% to 32.46%
 - Despite larger Unfunded Actuarial Liability, total payroll (i.e. denominator) increased by 8.7%.
- Funded Ratio (AVA/AL) slightly decreased from 69.3% to 68.8%

December 31, 2022 Actuarial Liability



December 31, 2023 Actuarial Liability



Valuation Results



Key Results

Valuation as of:	December 31, 2022	December 31, 2023	% Change
Participant Counts			
a) Full Time Actives	2,718	2,823	3.9%
b) Part Time Actives ¹	1,257	1,270	1.0%
c) Deferred Vesteds	275	282	2.5%
d) Members in Pay Status ²	4,305	4,263	(1.0%)
e) Total	8,555	8,638	1.0%
f) Annual Salaries of Full Time Active Members ²	\$ 205,235,180	\$ 223,059,661	8.7%
g) Annual Retirement Allowances	\$ 187,455,628	\$ 190,059,353	1.4%
Assets and Liabilities			
h) Present Value of Future Benefits	\$ 2,838,782,578	\$ 2,884,673,296	1.6%
i) Actuarial Liability	\$ 2,614,702,553	\$ 2,643,382,463	1.1%
j) Actuarial Value of Assets (AVA)	\$ 1,811,291,262	\$ 1,819,308,605	0.4%
k) Unfunded Actuarial Liability [(i) - (j)]	\$ 803,411,291	\$ 824,073,858	2.6%
l) Funded Ratio on AVA basis [(j) ÷ (i)]	69.3%	68.8%	(0.5%)
m) Market Value of Assets (MVA)	\$ 1,703,876,000	\$ 1,763,884,000	3.5%
n) Funded Ratio on MVA basis [(m) ÷ (i)]	65.2%	66.7%	1.5%
City's Actuarial Determined Contribution (ADC)			
	FYE June 30, 2024	FYE June 30, 2025	
o) Gross Normal Cost Rate	12.40%	12.24%	(0.16%)
q) Plan Changes ³	1.22%	1.13%	(0.09%)
r) Unfunded Actuarial Liability Amortization Rate	28.60%	27.29%	(1.31%)
s) Administrative Expenses	0.80%	0.80%	0.00%
t) Expected Employee Contributions	(9.00%)	(9.00%)	0.00%
u) City's ADC Rate [(o) + (p) + (q) + (r) + (s) + (t)]	34.02%	32.46%	(1.56%)

¹ As of December 31, 2023, 278 of the 1,270 Part Time actives had reported last pay periods before December 2023.

² Includes 143 and 157 members as of December 31, 2023 and 2022 respectively currently participating in DROP.

³ The City began making level annual payments for the ERIP in December 2021. The City is currently contributing the remaining 13 annual payments of \$2.7 million by July 31 of each future year.

Reconciliation of UAL

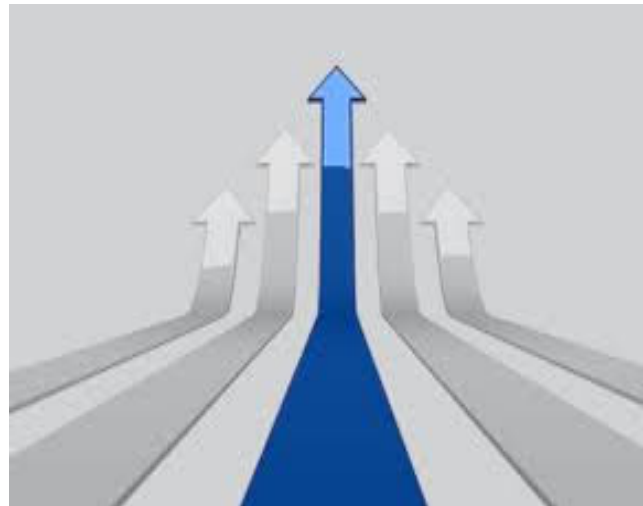


(\$ millions)	<u>Liability</u>	<u>Actuarial Assets</u>	<u>UAL</u>	<u>Funded Ratio</u>
As of December 31, 2022	\$2,614.7	\$1,811.3	\$ 803.4	69.3%
Expected Changes*	\$ (173.0)	\$ (133.6)	\$ (39.4)	
Assumption Changes	0.0	0.0	0.0	
Expected Interest / Invest Return	<u>190.7</u>	<u>130.9</u>	<u>59.8</u>	
Total	\$ 17.7	\$ (2.7)	\$ 20.4	
Expected at December 31, 2023	\$2,632.4	\$1,808.6	\$ 823.8	68.7%
Actual at December 31, 2023	\$2,643.4	\$1,819.3	\$ 824.1	68.8%
(Gain) / Loss	\$ 11.0	\$ (10.7)	\$ 0.3	

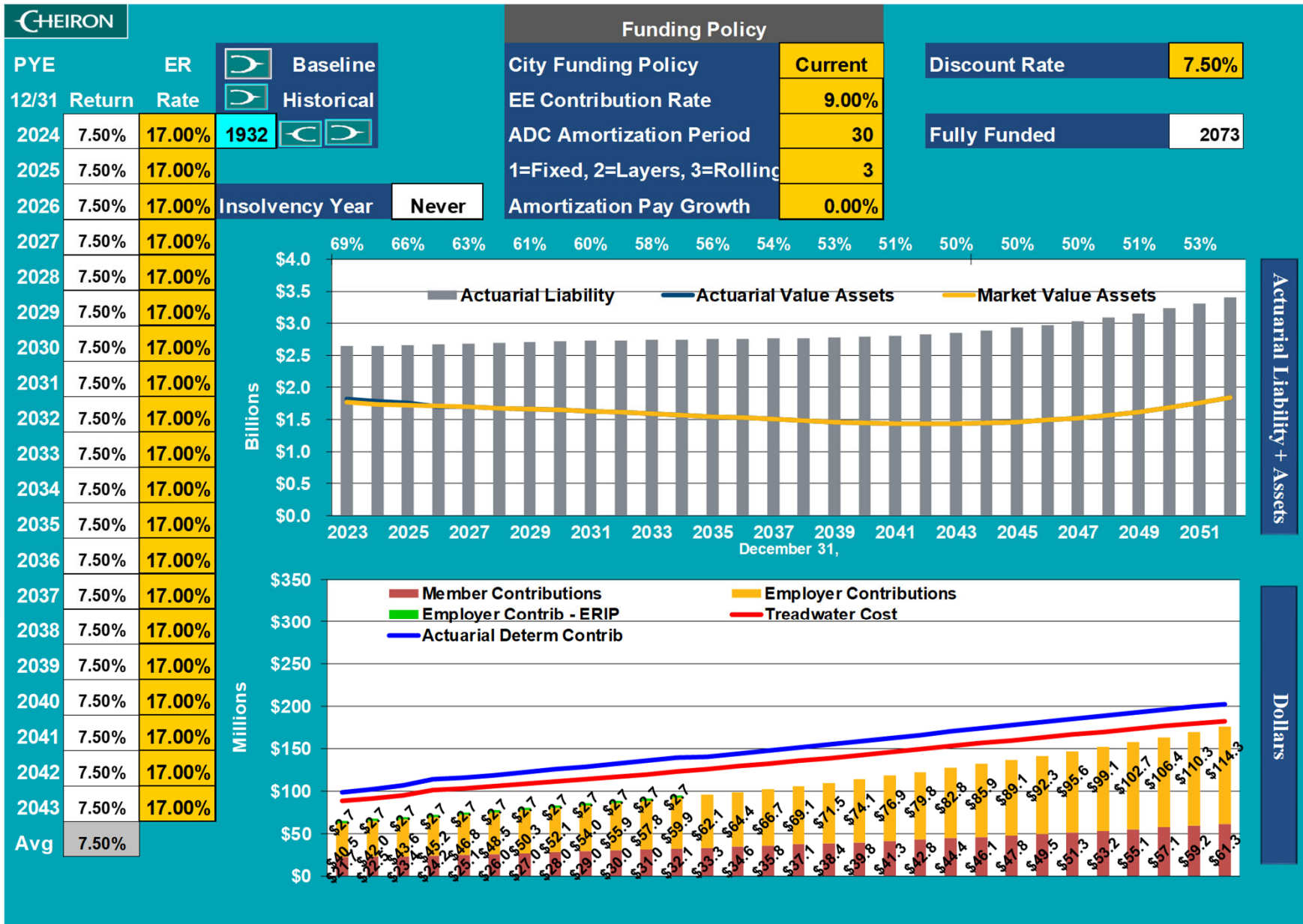
*Normal Cost, Expenses, Contributions, and Benefit Payments



A Look Ahead



Stress Testing Projections - Baseline



Projections – Implications of 2024



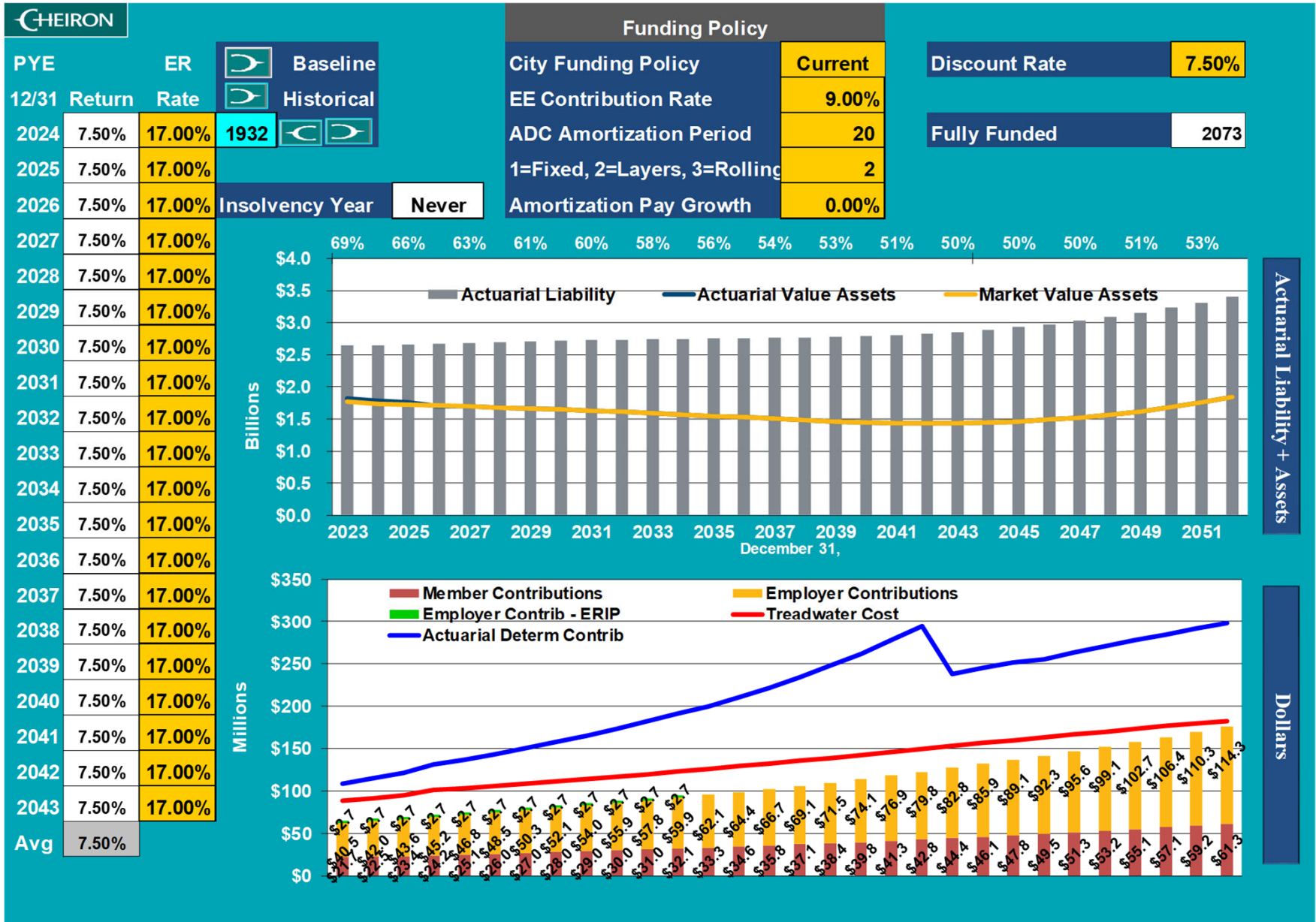
Assumed 2024 Investment Return*	Projected Insolvency Year	Projected Year to be 100% Funded
15.0%	None	2058
7.5%	None	2073
0.0%	None	2103
(7.5%)	2050	None
(15.0%)	2043	None

** Assumed 7.5% per year for 2025 and thereafter and annual contributions based on 17.00% of Full Time payroll.*

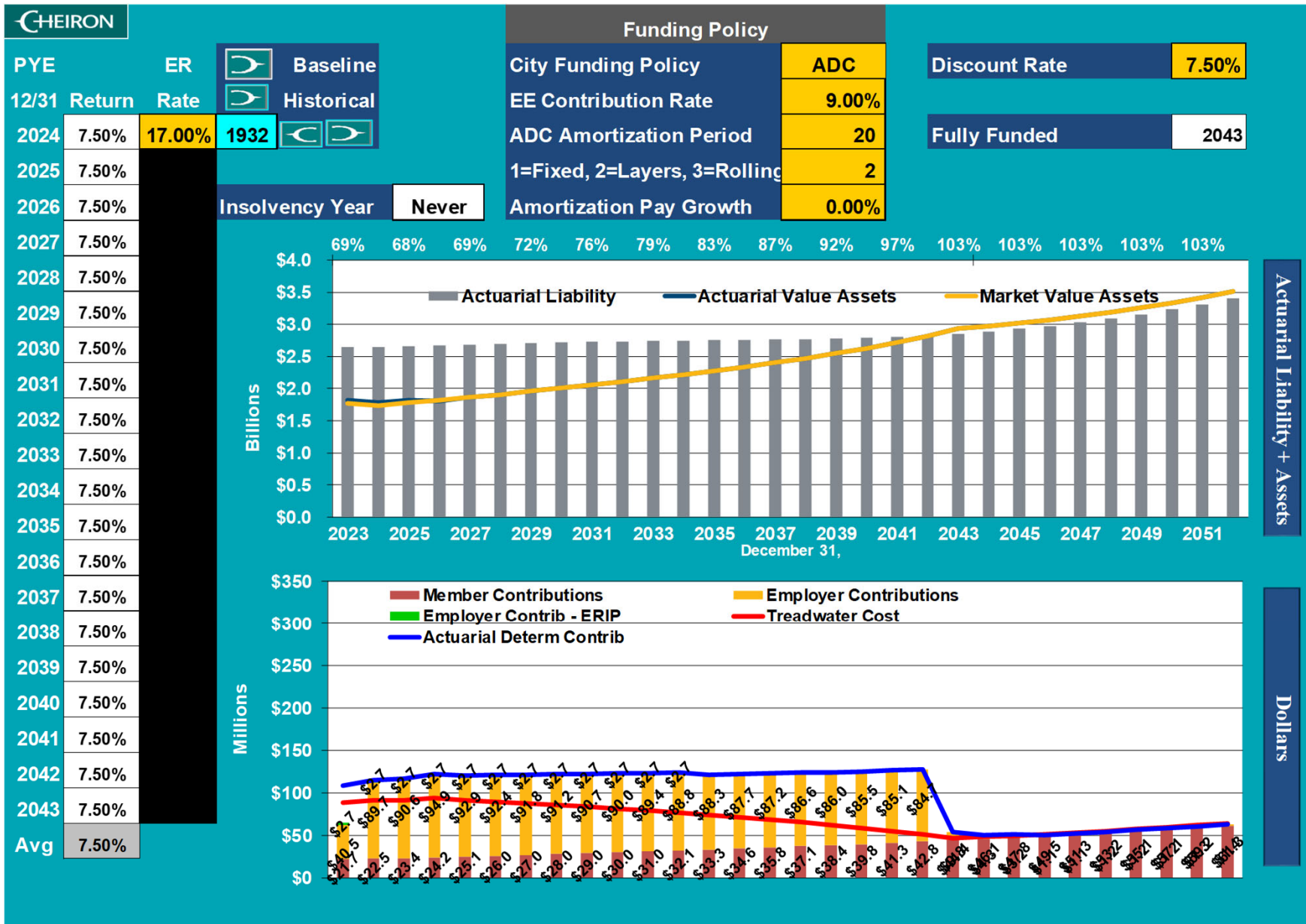


- We are required to disclose a Reasonable ADC in addition to the Board's Funding Benchmark
- Board's Funding Benchmark is an open 30-year level dollar amortization which is **not reasonable** since it results in negative amortization
- One reasonable ADC is an amortization based on a closed 20-year level dollar layered amortization method.
- For FYE 2025 a reasonable ADC would be 36.79%
 - This compares to the Board's Funding Benchmark of 32.46%
- **This is ONLY a disclosure requirement and does not impact the City's contribution policy of 17.00% of full-time payroll or the Board's Funding Benchmark of 32.46%**

Contributions vs Reasonable ADC



Projection if City Contributed 20-Year Layered Amortization ADC



Required Disclosures



The purpose of this presentation is to present the actuarial valuation results for the Cincinnati Retirement System (CRS or System). This presentation is for the use of the Board and System staff.

In preparing this presentation, we relied on information (some oral and some written) supplied by the Cincinnati Retirement System. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23, Data Quality.

The actuarial assumptions and methods are the same as those used in the preparation of the Actuarial Valuation Report as of December 31, 2023. The census data provided to us by CRS was as of December 31, 2023.

The assumptions reflect our understanding of the likely future experience of the System, and the assumptions as a whole represent our best estimate for the future experience of the System. The results of this presentation are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from the actuarial assumptions, the true cost of the System could vary from our results.

Cheiron utilizes ProVal, an actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate the liabilities, normal costs and projected benefit payments. We have relied on WinTech as the developer of ProVal. We have reviewed ProVal and have a basic understanding of it and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this actuarial valuation.

Projections in this presentation were developed using *P-Scan*, our proprietary tool for developing deterministic projections to illustrate the impact of changes in assumptions and actual experience (particularly investment experience) on the future financial status of the Plan.

This presentation and its contents were prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This presentation was prepared solely for the Cincinnati Retirement System for the purposes described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users.

Kevin Woodrich, FSA, EA, MAAA
Principal Consulting Actuary

Janet Cranna, FSA, EA, MAAA
Principal Consulting Actuary

City of Cincinnati Retirement System (CRS)



12/31/2023 Actuarial Valuation CRS OPEB Trust



May 2, 2024

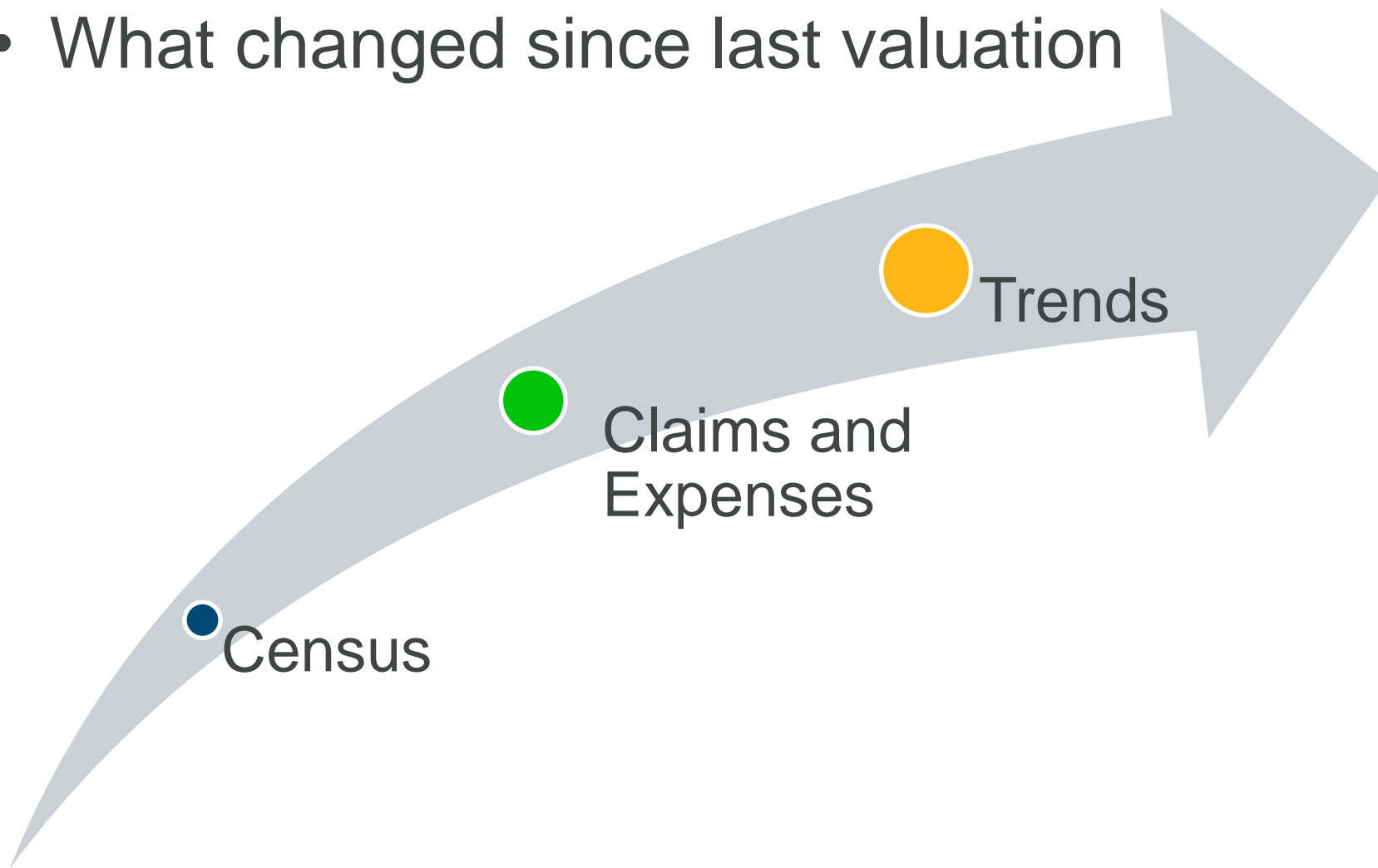
Gaëlle Gravot, FSA, MAAA
Beth Mercer, FSA, EA, MAAA



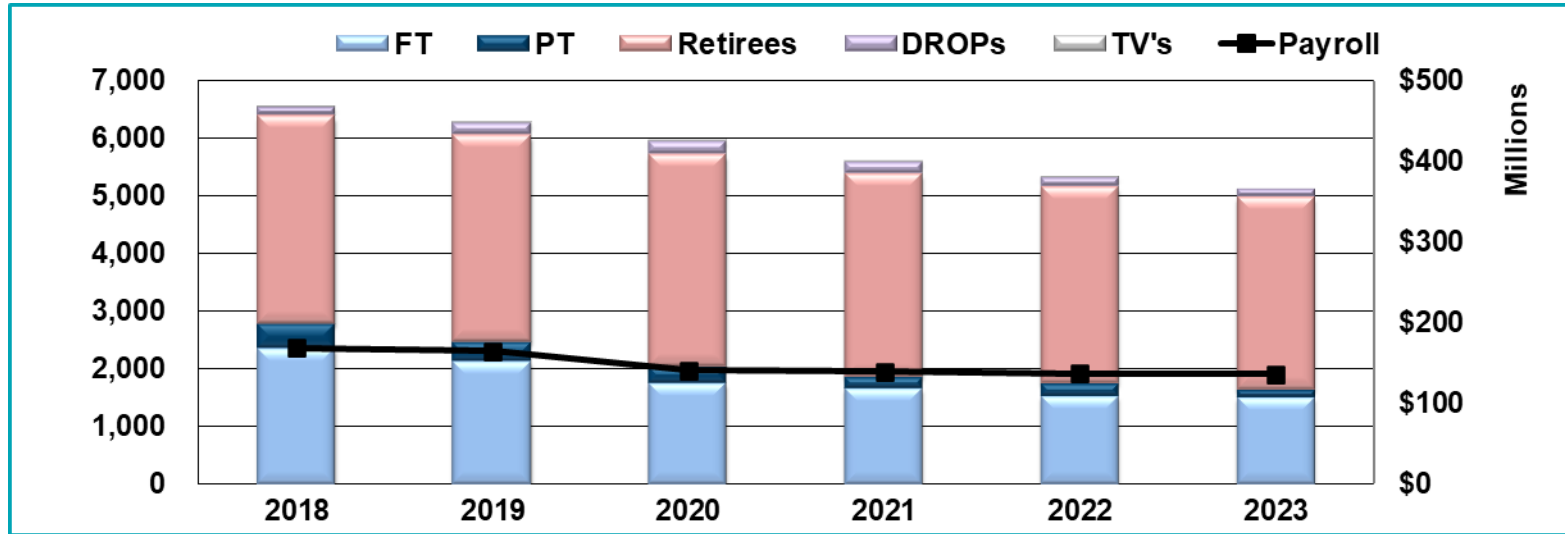
- Review of 12/31/2023 Actuarial Valuation
- Projections
- Next steps



- What changed since last valuation



Historical Participant Information



- Plan was closed December 31, 2015

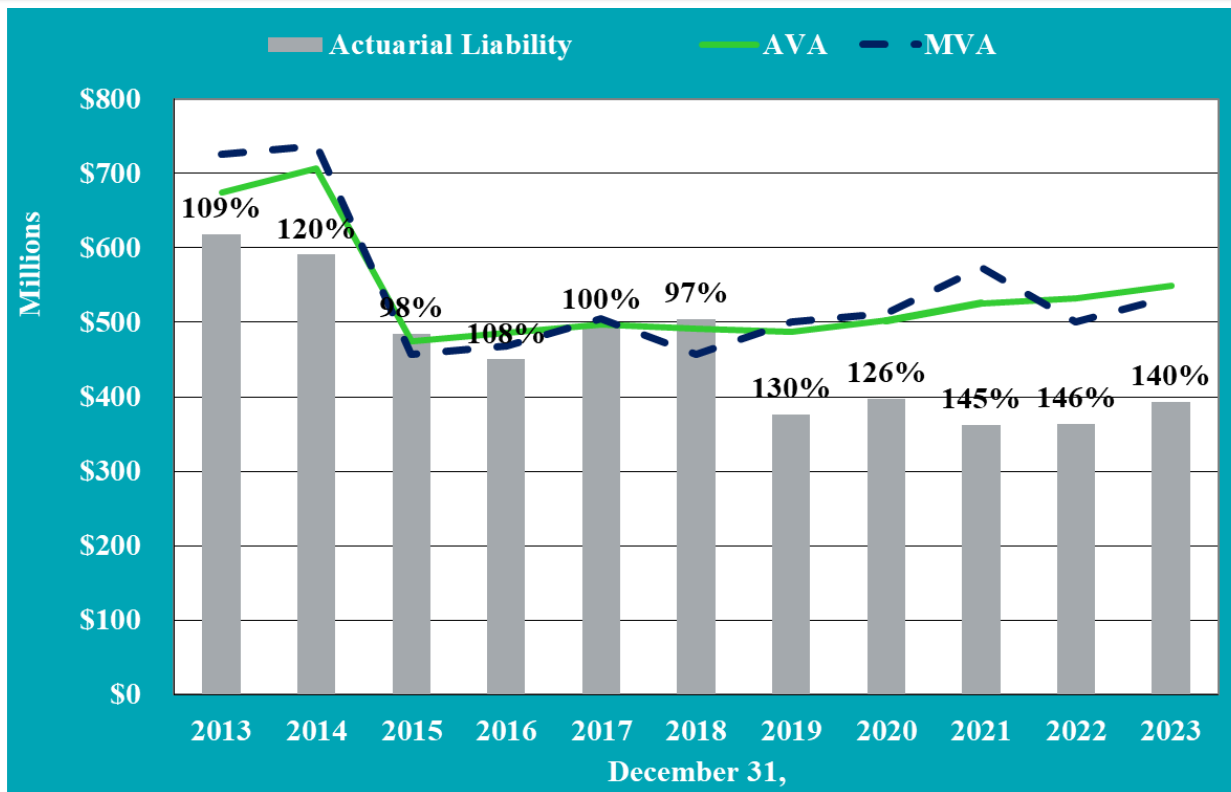
Year	FT	PT	Retirees	DROP	TV's	Spouses*
2018	2,357	421	3,602	145	27	1,366
2019	2,151	330	3,565	217	26	1,361
2020	1,767	279	3,683	209	25	1,427
2021	1,673	210	3,511	185	20	1,398
2022	1,593	163	3,409	157	18	1,353
2023	1,514	135	3,330	141	19	1,298

* Spouses not shown above in graph

Historical Information (AL vs Assets)



As of December 31, 2023, the Fund is 139.9% funded on an AVA basis, and 135.8% on a MVA basis.



- Plan was closed December 31, 2015
- Drop in liability in 2016 due to lower anticipated drug costs, contribution rate changes, and the asset drop was due to transfer of assets to the pension
- Move to MA plan effective January 1, 2020, reduced 2019 liabilities by over \$127 million

May 2, 2024

12/31/2023 Valuation Participant Data



Group	December 31, 2022	December 31, 2023
Active Participants		
Active Full Time Employees	1,593	1,514
Active Part Time Employees	163	135
Active DROP Employees	<u>157</u>	<u>141</u>
Total	1,913	1,790
Covered Payroll	\$136,460,218	\$136,226,593
Total Compensation	\$219,049,414	\$235,731,737
Active Full Time Employees - ineligible for retiree health benefits	1,361	1,526
Active Part Time Employees - ineligible for retiree health benefits	<u>436</u>	<u>630</u>
Total - ineligible for retiree health benefits	1,797	2,156
Inactive Participants		
Number of retirees and surviving spouses currently receiving retiree health benefits	3,409	3,330
Spouses currently receiving retiree health benefits	<u>1,353</u>	<u>1,298</u>
Total	4,762	4,628
Retired members and surviving spouses not currently receiving retiree health benefits but may elect coverage in the future	<u>354</u>	<u>328</u>
Total	5,116	4,956
Terminated vested members eligible for retiree health benefits	18	19
Terminated vested members not eligible for retiree health benefits	<u>257</u>	<u>261</u>
Total	5,391	5,236

12/31/2023 Valuation Results



- The results below are used for the Funding of the OPEB Trust and are not applicable for the financial statements.
- These results are used to determine the Actuarially Determined Contribution (ADC), which is \$0.

Summary of Valuation Results		
Valuation Date	December 31, 2022	December 31, 2023
Discount Rate	7.50%	7.50%
Actuarial Liability (AL)	\$ 363,450,123	\$ 393,177,787
Actuarial Value of Assets	<u>532,169,108</u>	<u>549,871,265</u>
Unfunded actuarial liability (UAL)	\$ (168,718,985)	\$ (156,693,478)
Funded Ratio (AVA/AL)	146.42%	139.85%
Market Value of Assets	\$ 500,041,000	\$ 533,879,000
Funded Ratio (MVA/AL)	137.58%	135.79%
Fiscal Year Ending	June 30, 2024	June 30, 2025
Actuarially Determined Contribution	\$ 0	\$ 0
Calendar Year	2023	2024
Actual/Expected Net Benefit Payments	23,356,000	27,097,862

12/31/2023 Valuation Detail



The Trust remains over funded as of December 31, 2023.

Actuarial Liability		
Valuation Date	December 31, 2022	December 31, 2023
Discount Rate	7.50%	7.50%
Actuarial Liability		
Current active members	\$ 102,663,410	\$ 103,947,939
Current retirees, beneficiaries, and dependents	260,786,713	289,229,848
Total Actuarial Liability (AL)	\$ 363,450,123	\$ 393,177,787
Actuarial Value of Assets (AVA)	532,169,108	549,871,265
Unfunded Actuarial Liability (UAL)	\$ (168,718,985)	\$ (156,693,478)
Funded Ratio (AVA/AL)	146.42%	139.85%
Market Value of Assets (MVA)	\$ 500,041,000	\$ 533,879,000
Unfunded Actuarial Liability (UAL)	\$ (136,590,877)	\$ (140,701,213)
Funded Ratio (MVA/AL)	137.58%	135.79%
Normal Cost	\$ 2,562,945	\$ 2,542,224

12/31/2023 Valuation Reconciliation



Reconciliation of Actuarial Liability

Actuarial Liability at December 31, 2022	\$ 363,450,123
Normal Cost	2,562,945
Expected Benefits paid throughout the year	(28,714,315)
Interest	26,374,193
Expected Actuarial Liability at December 31, 2023	\$ 363,672,946
Actuarial Liability at December 31, 2023	393,177,787
Gain or (Loss)	\$ (29,504,841)
Gain or (Loss) due to:	
Benefit changes	\$ -
Census changes	1,945,421
Demographic Assumption changes	-
Health Care Claims and Trend changes	(31,450,262)
Total changes	\$ (29,504,841)

- Census change - \$1.9 million gain
 - Was primarily due to reduction in the active and inactive populations
- Health Care Claims and Trend Changes - \$31.4 million loss
 - The claims curves and trend assumptions were updated to reflect the current marketplace and expected impact of the Inflation Reduction Act on the Medicare Part D (pharmacy EGWP) benefit.

12/31/2023 Valuation Projections – 7.5%



H-scan OPEB

Stress Testing



Increase in trends

0.00%

Health Trends

	Starting Trend	2024 Year	2025 Year	2026 Year	2027 Year	2028 Year	2029 Year	2030 Year	2031 Year	2032 Year	Ultimate Trend	Years to Ultimate
Pre-Med	8.40%	7.80%	6.20%	5.60%	5.50%	5.39%	5.29%	5.18%	5.08%	4.97%	4.04%	20
Post-Med	4.13%	22.66%	6.62%	5.60%	5.50%	5.39%	5.29%	5.18%	5.08%	4.97%	4.04%	20

Valuation Year

31-Dec 2023

Valuation Method

EAN

Total or Closed Payroll

Total

Investment Return

7.50%

Open or Fixed Amortizatic

Open

GASB 74 Discount Rate

7.50%

Actuarial Amort. Years

30

ADC Max % Payroll

2.00%

Average Salary Increases

3.25%

2024 calendar year return

7.50%

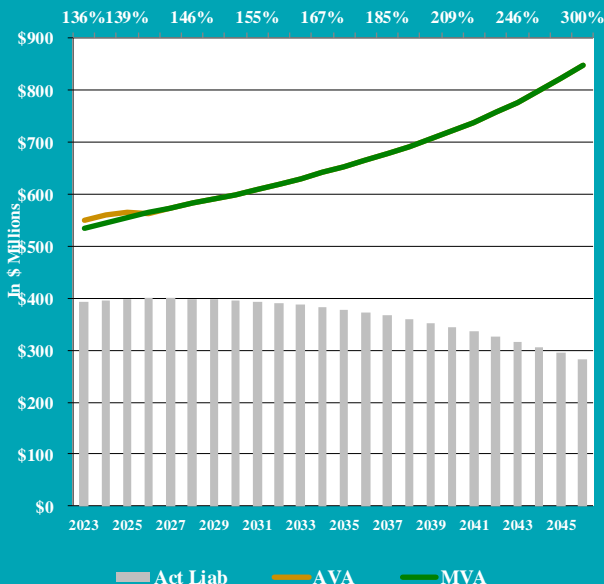
Baseline Historical

Equity % 2001 80%

Calendar Year

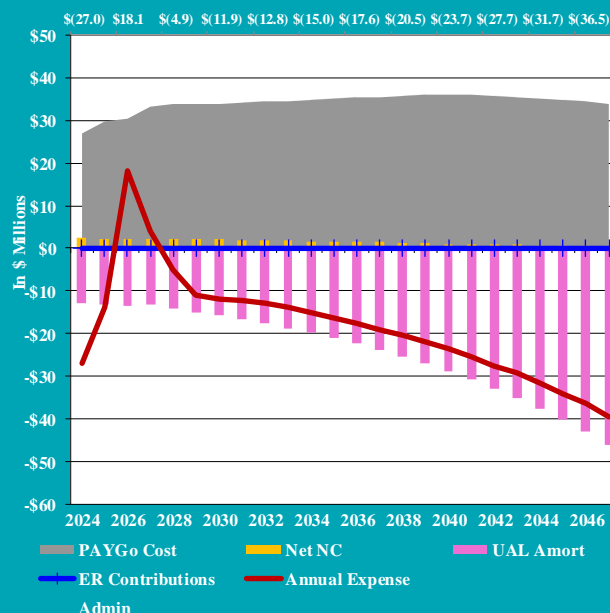
2024	7.50%
2025	7.50%
2026	7.50%
2027	7.50%
2028	7.50%
2029	7.50%
2030	7.50%
2031	7.50%
2032	7.50%
2033	7.50%
2034	7.50%
2035	7.50%
2036	7.50%
2037	7.50%
2038	7.50%
2039	7.50%
2040	7.50%
2041	7.50%
2042	7.50%
2043	7.50%
Avg	7.50%

Assets and Liabilities



Plan Expense and Funding

Fiscal Year Ending



Classic Values, Innovative Advice

May 2, 2024

12/31/2023 Valuation Projections

2024 Return negative 13.5%



H-scan OPEB

Stress Testing



Increase in trends

0.00%

Health Trends

Trend	Starting Year	2024 Year	2025 Year	2026 Year	2027 Year	2028 Year	2029 Year	2030 Year	2031 Year	2032 Year	Ultimate Trend	Years to Ultimate
Pre-Med	8.40%	7.80%	6.20%	5.60%	5.50%	5.39%	5.29%	5.18%	5.08%	4.97%	4.04%	20
Post-Med	4.13%	22.66%	6.62%	5.60%	5.50%	5.39%	5.29%	5.18%	5.08%	4.97%	4.04%	20

Valuation Year

31-Dec 2023

Valuation Method

EAN

Total or Closed Payroll

Total

Investment Return

7.50%

Open or Fixed Amortization

Open

GASB 74 Discount Rate

7.50%

Actuarial Amort. Years

30

ADC Max % Payroll

2.00%

Average Salary Increases

3.25%

2024 calendar year return

-13.50%



Baseline



Historical



Equity %

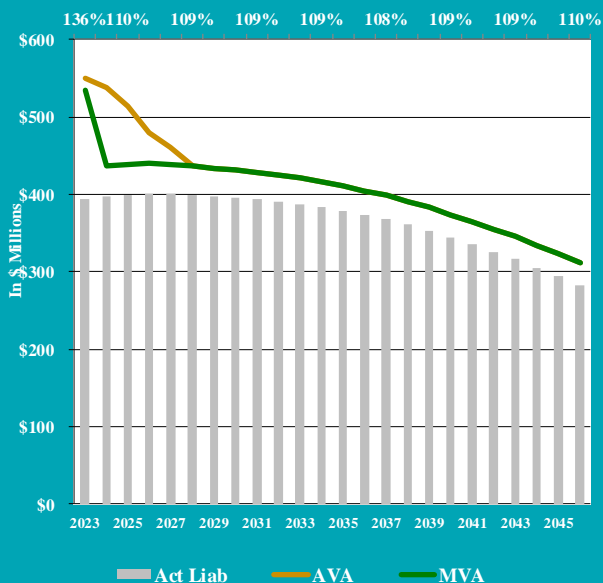
2001 80%

Calendar

Year

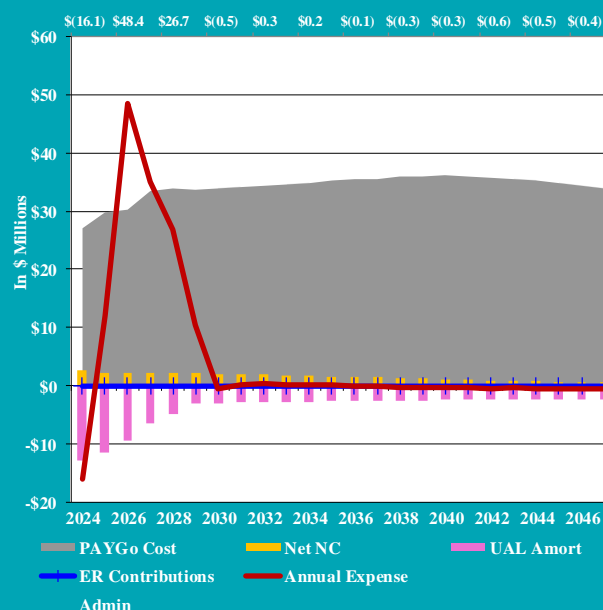
2024	-13.50%
2025	7.50%
2026	7.50%
2027	7.50%
2028	7.50%
2029	7.50%
2030	7.50%
2031	7.50%
2032	7.50%
2033	7.50%
2034	7.50%
2035	7.50%
2036	7.50%
2037	7.50%
2038	7.50%
2039	7.50%
2040	7.50%
2041	7.50%
2042	7.50%
2043	7.50%
Avg	6.34%

Assets and Liabilities



Plan Expense and Funding

Fiscal Year Ending



Classic Values, Innovative Advice

May 2, 2024

12/31/2023 Valuation Projections – Average 7.26%

20 Year Historical Asset Mix (80% Equities / 20% Fixed)



H-scan OPEB

Stress Testing



Increase in trends

0.00%	Starting	2024	2025	2026	2027	2028	2029	2030	2031	2032	Ultimate	Years to
Health Trends:	Trend	Year	Year	Year	Year	Year	Year	Year	Year	Year	Trend	Ultimate
Pre-Med	8.40%	7.80%	6.20%	5.60%	5.50%	5.39%	5.29%	5.18%	5.08%	4.97%	4.04%	20
Post-Med	4.13%	22.66%	6.62%	5.60%	5.50%	5.39%	5.29%	5.18%	5.08%	4.97%	4.04%	20

Valuation Year: 31-Dec **2023** Valuation Method: **EAN**

Total or Closed Payroll	Total	Investment Return	7.50%
Open or Fixed Amortization	Open	GASB 74 Discount Rate	7.50%
Actuarial Amort. Years	30	ADC Max % Payroll	2.00%
Average Salary Increases	3.25%	2024 calendar year return	-13.50%

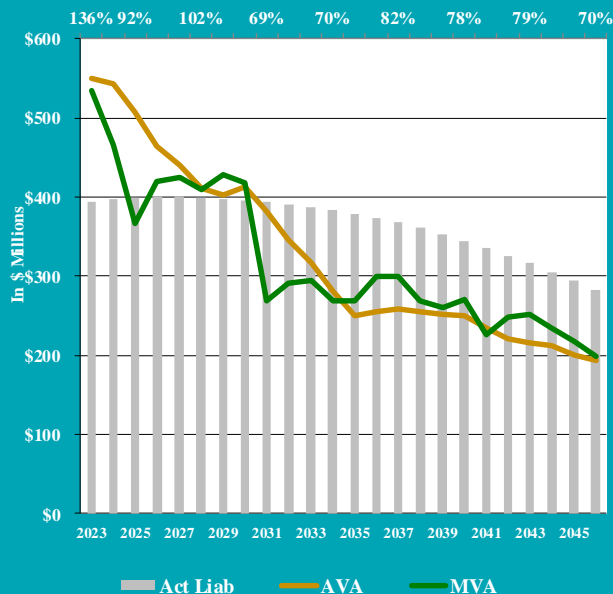
Baseline
 Historical

Equity % **2001**
 80%

Calendar Year

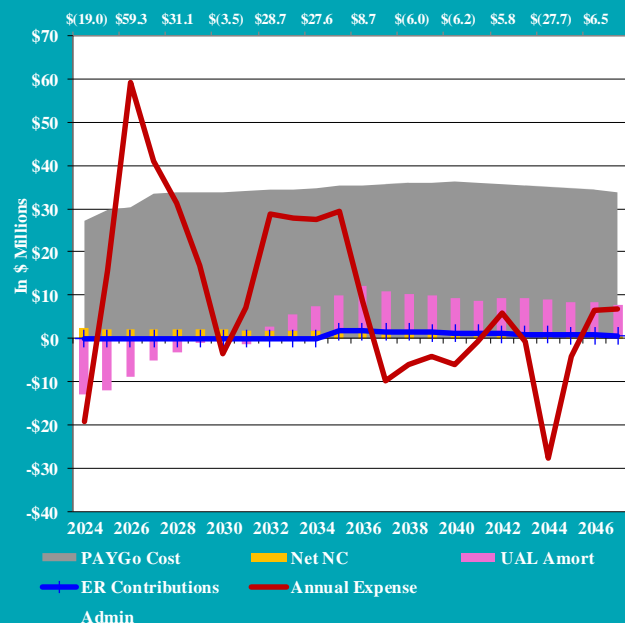
2024	-7.82%
2025	-15.63%
2026	23.78%
2027	9.57%
2028	4.42%
2029	13.50%
2030	5.79%
2031	-28.55%
2032	22.36%
2033	13.40%
2034	3.26%
2035	13.65%
2036	25.51%
2037	12.14%
2038	1.22%
2039	10.10%
2040	18.17%
2041	-3.51%
2042	26.93%
2043	16.22%
Avg	7.26%

Assets and Liabilities



Plan Expense and Funding

Fiscal Year Ending





- GASB 74/75
 - Determine the blended discount rate
 - Preliminarily, the fund should pass the depletion testing if assets return at least -13.5%
 - If pass test, will use 7.5% for 6/30/2024
 - If not pass, the discount rate will be blended
 - Highly dependent on investment returns
 - Example, if return is -15%, the blended rate could be 6.70%
 - Draft GASB 75 report and provide in July 2024
- Develop contribution rates for the three health plans as of January 1, 2025
 - Provide results by September 2024

Disclosures



The purpose of this presentation is to present the results from the December 31, 2023, Retiree Health Benefits Plan for the City of Cincinnati OPEB Plan. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other user.

In preparing this presentation, we relied on information, some oral and some written, supplied by the Cincinnati's staff, its vendors. This information includes, but is not limited to, the plan provisions, member data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

The analysis was based on financial data through December 31, 2023 and the January 1, 2024 membership data. Unless otherwise noted, the assumptions and methods are outlined in the December 31, 2023 Actuarial Valuation Report. Future results may differ significantly from this presentation due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.

Cheiron utilizes ProVal, an actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate the liabilities, normal costs and projected benefit payments. We have relied on WinTech as the developer of ProVal. We have reviewed ProVal and have a basic understanding of it and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this actuarial valuation.

This report includes projections of future contributions, claims, assets, reserves, funded status for the purpose of assisting the Board of Trustees with the management of the Fund. We have used Cheiron's H-Scan model to develop these projections. The model is also used to stress test the impact of volatile asset returns over the projection period.

This presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

Gaëlle Gravot, FSA, MAAA
Principal Consulting Actuary

Beth Mercer, FSA, EA, MAAA
Consulting Actuary





Appendices



Eligibility

Per Ordinance 336-2016 adopted by the City Council on October 26, 2016, employees hired after December 31, 2015, **are not** eligible to receive retiree health benefits.

Eligibility requirements:

- Age 60 with 20 years of service (yos) (15 years of service for Group C) or 30 years of service at any age
- At least 20 years of service must be CRS membership service



Benefits Offered

- Medical, Prescription Drugs, Dental and Vision
- Eligible retirees, beneficiaries, and their dependents Pre and Post Medicare Eligibility
- Three Retiree Medical Plans:

Secure*	Select	Model
Retired prior to 9/1/07 with income <\$30K	Group C, or retired between 9/1/07 and 1/1/16	Not Group C and retired after 1/1/16

* Participants not meeting the income requirement can elect either the Select or Model plan.



Contribution Rules

	Secure	Select	Model
Group 1 (hired before 1/9/97)	\$0	5% of full cost adjusted for Medicare Eligibility	10% of full cost adjusted for Medicare Eligibility
Group 2 (hired after 1/9/97)	\$0	Varies - See sliding scale below	Varies - See Sliding scale below

Sliding Scale

Points	Select	Model
90+	5%	10%
80-89	25%	25%
70-79	50%	50%



Plan Benefit Comparison

Non-Medicare	Secure	Select	Model
Deductible (Ind / Fam) ¹	\$0/\$0	\$300/\$600	\$500/\$1,000
Coinsurance (INN / OON) ²	20% / 50%	20% / 50%	20% / 50%
Out-of-Pocket Max (OOP Max)	\$500 / \$1,000	\$1,500 / \$3,000	\$2,000 / \$4,000
OON Deductible / OOP Max	2 x INN	2 x INN	2 x INN
Prescription Drug Mail Order	\$5 / \$15 / \$30 \$10 / \$30 / \$60	\$10 / \$20 / \$30 \$20 / \$40 / \$60	\$10 / \$20 / \$30 \$20 / \$40 / \$60
Medicare	Secure	Select	Model
Deductible (Ind) ¹	\$0	\$300	\$500
Coinsurance (INN / OON) ²	4% / 10%	4% / 10%	4% / 10%
Out-of-Pocket Max (OOP Max)	\$500	\$1,500	\$2,000
OON Deductible / OOP Max	Combined INN	Combined INN	Combined INN
Prescription Drug Mail Order	\$5 / \$15 / \$30 \$10 / \$30 / \$60	\$10 / \$20 / \$30 \$20 / \$40 / \$60	\$10 / \$20 / \$30 \$20 / \$40 / \$60

¹ Ind / Fam: Individual / Family

² INN / OON: In-Network / Out-of-Network

May 2, 2024

App B. Actuarial Valuation Assumptions



- Demographic assumptions
 - Based on the City's 2023 actuary's experience study adopted March 23, 2023
- Economic assumptions:
 - Based on claims experience through December 2023
 - Trends reflect future information in medical and drug costs, plan design and general inflation



Claims Development

- 2024 claims were developed based on the calendar year (CY) 2021, 2022 and 2023 claims broken down by the three plans and four population subsets (Medicare Eligible Part A&B (ME part AB), Medicare Eligible Part B Only (ME part B), Medicare Eligible Part A Only (ME part A) and Non-Medicare Eligible (NME)).
- Retirees are enrolled in:
 - The Medicare Advantage plans if Part A&B, or Part B only eligible
 - The self-insured medical plans otherwise
- All participants age 65+ are assumed to be eligible for Part D



Trends

Trends were developed by determining the expected increase in trends for each type of coverage, medical vs pharmacy, Non-Medicare and Medicare. The Drug ME trend reflects our current understanding of the market reaction to the redesign of Part D under the Inflation Reduction Act (IRA) of 2022.

Year	Medical NME	Medical ME	Drug NME	Drug ME
2023	8.00%	8.00%	10.00%	5.02%
2024	7.75%	7.75%	8.00%	24.83%
2043 (Ultimate)	4.04%	4.04%	4.04%	4.04%



Classic Values, Innovative Advice