

MEGAN N. KILGORE

City Auditor

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THE CITY OF
COLUMBUS

OFFICE OF MEGAN N. KILGORE,
CITY AUDITOR

To: Mayor Andrew J. Ginther
Columbus City Councilmembers
City Attorney Zach Klein
From: City Auditor Megan Kilgore
Date: July 23, 2021

ADJUSTMENT TO THE 2021 OFFICIAL REVENUE ESTIMATE

Dear Colleagues:

The City Auditor's Office has been monitoring general fund revenues and the current fiscal environment to estimate the impact on City revenues for fiscal year 2021. As a result of our analysis and the actual revenue collections through June 30, 2021, **the 2021 Official Revenue Estimate is being increased by a total of \$63.022 million.** For the first time in the City's history, we now have an estimated one billion dollars in resources.

This adjustment is being driven by positive revenue changes in several areas. The largest increase is due to higher than anticipated income tax collections, and we have also exceeded earlier estimates in the category of shared revenues, including both Local Government Fund revenue and Casino Tax revenue. A refund from a City Internal Service Fund also contributed to this adjustment.

Paramount to the financial evolution that occurred between the *Original 2021 Revenue Estimate* (dated October 19, 2020) and today's *Revised Revenue Estimate* is the bold action taken by the Federal Reserve and the U.S. Government, all of which greatly benefitted our local economy. This would have been a very different year for our revenues had federal stimulus not been prevalent. The CARES Act provided three rounds of economic impact payments to individuals, enhanced unemployment insurance, and provided loans, which could be forgiven, to small businesses. The Federal Reserve and the U.S. Treasury rolled out facilities that largely reversed a lot of the market panic that was taking place, allowing our local companies to continue to raise equity and grow – with some of our technology-focused companies experiencing breakout years.

To provide context as to the role Federal action has played: Personal income in Ohio soared by 14.6% in the first quarter of 2021 in response to the successive rounds of stimulus payments to households. This was the largest one quarter increase in the history of the data set back to 1948. Personal income rose by nearly 19% relative to the first quarter of 2020. Per capita personal income in Ohio rose to a record high of \$60,800 in the first quarter – far surpassing the pre-pandemic peak of \$51,000.

Yet veiled by these numbers is an uneven recovery. There is no question that long-lasting damage has been done, particularly to persons of color and women in Columbus. We continue to see this in our local labor force participation and the potential permanent loss of many of our minority-owned small businesses. The fact of the matter remains that though the City as a whole is experiencing record revenue growth, too many in our communities are still struggling with the aftermath of crisis on top of crisis in 2020 and remain consistently underserved in their own individual recoveries. I know work continues, as Columbus seeks to broaden recovery support to those most in need, and I am proud to work alongside each of you on this endeavor.

I have included additional details about this revenue increase for your review. Please contact me with any follow-up questions. We will continue to provide information as it is available.



Megan N. Kilgore, City Auditor

2021 Official Revenue Estimate [2nd Revision dated 7/23/2021]

Per the Charter of the City of Columbus, the Mayor’s estimate of the expense of conducting the affairs of the City for the following fiscal year shall be submitted to City Council on or before the fifteenth day of November in each year. The estimate shall be compiled from certain information obtained from various city departments, including a statement from the City Auditor of the total probable revenue for the period covered by the Mayor’s estimate. This statement shall serve as the City Auditor’s Statement of Available Resources for Fiscal Year 2021.

Statement of Estimated Available Resources – General Operating Fund [1000-100010]

	Original Estimate	1 st Revision dated 4/7/2021	2 nd Revision dated 7/23/2021	Revised Estimate
ESTIMATED REVENUE:				
Income taxes	\$698,958,000	-	53,922,000	\$752,880,000
Property taxes	57,765,000	-	-	57,765,000
Investment earnings	8,675,000	-	-	8,675,000
Licenses and permits fees	11,641,000	-	-	11,641,000
Shared revenue	23,507,000	-	5,600,000	29,107,000
Charges for services	62,299,000	-	-	62,299,000
Fines and forfeits	14,738,000	-	-	14,738,000
Miscellaneous revenue	5,421,000	-	3,500,000	8,921,000
TOTAL ESTIMATED RESOURCES FROM REVENUE	\$883,004,000	-	63,022,000	\$946,026,000
TOTAL TRANSFERS IN	4,000,000	10,000,000	-	14,000,000
TOTAL ESTIMATED RESOURCES AND TRANSFERS	\$887,004,000	10,000,000	63,022,000	\$960,026,000
Estimated prior year encumbrance cancellations	5,000,000	-	-	5,000,000
<u>12/31/2020 UNENCUMBERED CASH BALANCE</u>	<u>78,259,958</u>	<u>-</u>	<u>-</u>	<u>78,259,958</u>
<i>TOTAL ESTIMATED AVAILABLE RESOURCES</i>	<i>\$970,263,958</i>	<i>10,000,000</i>	<i>63,022,000</i>	<i>\$1,043,285,958</i>

The first revision to the 2021 Official Revenue Estimate on 4/7/2021 was to reflect City Council-approved transfers from the Basic City Services subfund [1000-100017] to the new Reimagine Safety subfund [1000-100019] in the 2021 Annual Appropriations Ordinance [2502-2020].

The second revision to the 2021 Official Revenue Estimate on 7/23/2021 is to reflect actual revenue received through June 2021 and take into account legislated and other changes that have taken place since the Original Revenue estimate was prepared in October 2020. Those changes are explained in the narrative provided herein.

Income Tax

Columbus' income tax collections grew solidly during the last three quarters as more workers were rehired across the city, wage increases were given within several industries, and governmental transfer payments (e.g. direct cash payments and other types of Federal support) lifted local households.

Higher unemployment rates during the pandemic were largely concentrated among low-income workers, especially those in the service sector. Ultimately, high-income workers were largely unaffected; therefore, we did not see large declines in income tax revenue in the high-wage category. Many Columbus businesses – including those in the industries of healthcare, financial/insurance services, and technology - gave increases to workers who were able to continue their productivity while working remotely through the state of emergency.

Through June 30, 2021, income tax revenue from withholdings was up 5.5% over the same period in 2020. In order to estimate income tax revenue for 2021, we used actual revenue through June 30, 2021, and estimated increases in income tax revenue from withholdings of 3% over 2019 levels (last pre-pandemic year) for the remaining months of 2021. An additional \$10 million was added to the estimate of income tax refunds in order to arrive at the total estimate of \$752.880 million, or \$53.922 million more than our original estimate.

Looking ahead to 2022, we anticipate that the pace of expansion will normalize, but the local economy will remain strong. The outsized income tax growth percentages are, in part, a function of the unique nature of this stimulus-driven recovery period. As post-pandemic normalization runs its course, the broad income tax growth rate should normalize as well.

Predicting remote work, and estimating its impact to our revenues, remains challenging. There has been uncertainty around how municipal income tax will be applied to remote workers. At the end of June, the State passed legislation to allow for refunds of 2021 municipal income tax paid by remote workers to the municipality where the business was located rather than where the employee was physically working. These refunds will most likely be requested in 2022 with the filing of 2021 tax returns; however, due to this change we may see a reduction in withholding tax revenue for the remainder of 2021 if employers are able to adjust their withholdings for where remote workers are working. We continue to study the trends surrounding remote work. There is a lot of uncertainty around whether employers will continue to allow for remote work, and at what levels, or if they will require employees to return to their Columbus offices. Such decisions will be closely monitored and our 2022 revenue estimate will reflect ongoing analyses.

Shared Revenue

Shared revenues include portions of the various State of Ohio taxes, which are shared with local governments within the State. Shared revenue also includes Casino Revenue. Local Government Fund revenue received from the State is now estimated to be approximately \$2.1 million higher than the amount originally included in the revenue estimate. In addition, Casino Revenue collected through June 30, 2021, has significantly exceeded our expectations. Our initial projection was based on the Casino being closed or at partial capacity due to COVID-19 restrictions. Many casinos found a way to open their doors, many with safety protocols and increased cleaning schedules in place, to accommodate patrons. As a result, \$3.5 million has been added to the Casino Revenue estimate.

Miscellaneous Revenue

The 2021 actual year-to-date miscellaneous revenue includes a refund from a City Internal Service Fund of \$3.5 million for charges in excess of realized costs for that fund. This refund was not anticipated when the original revenue estimate was prepared; therefore, we are adjusting the revenue estimate to reflect this refund.