

MEGAN N. KILGORE

City Auditor

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Deputy City Auditor

THE CITY OF
COLUMBUS

OFFICE OF MEGAN N. KILGORE,
CITY AUDITOR

To: Mayor Andrew J. Ginther
City Attorney Zach Klein
Columbus City Councilmembers

From: Megan N. Kilgore, City Auditor

Date: October 19, 2020

Subject: Revised Revenue Estimate for 2020; Revenue Estimate for 2021

Dear Colleagues:

Attached, please find two documents:

1. A **Revised Revenue Estimate for 2020** (2nd Revision)
2. The **Revenue Estimate for 2021**

Both revenue estimates reflect the actual impacts of COVID-19 on the City's finances to-date, as well as economic projections for the remainder of 2020 and the full year of 2021. Key economic factors that predicated our analyses are listed below. I would welcome any additional questions you may have.

- **Our Economic Model is a "K":** While our City's initial economic reaction to COVID-19 looked more like a Nike "Swoosh" with an immediate drop in revenues and a gradual incline as the economy reopened, our employment trends have now morphed to resemble the letter "K." Following the initial fallout, we are now seeing certain populations – specifically, those who have maintained employment or have been able to regain permanent employment– largely continue on an upward trend. Conversely, those who have been affected by long-term job loss or by other factors limiting employability are showing declining economic statistics.
- **Duration of "Recessionary Levels":** Largely, the 3Q in Columbus was one of growth, but we are anticipating a slowdown in the 4Q as growth stabilizes from the recovery pace set in the July/August/September periods. We currently anticipate continued levels in the first half of 2021.
- **Permanency of Job Loss:** As described in the "K" bullet point above, we are now seeing a deepening of long-term job loss. While *temporary* layoffs have slowed every month since April, *permanent* job losses have increased.
- **Unemployment vs. Income Tax Collections:** The City's unemployment rate has never directly corresponded to the City's income tax collections, but the inequities of COVID-19 have further illustrated this gap. Specifically, because COVID-19 has prevented certain sectors and types of jobs from being *able* to work, our analyses required deeper study of these impacts at the micro-level (e.g. job type and corresponding estimated wages). The revenue estimates include our assumptions of such impacted sectors, as well as actual income tax revenue collections in 2020.

Many unknowns remain, including how spread may occur during our winter months, the success of public health and vaccination efforts, and any future federal or state stimulus. I will continue to provide updates as to the City's revenue estimate in 2021, should we experience material changes.

Best regards,



Megan N. Kilgore, City Auditor

October 19, 2020

2nd Revision to 2020 Official Revenue Estimate

Based on actual results of operations through September 30, 2020 and revised estimates of 2020, the City Auditor is revising the 2020 Official Revenue Estimate. The Revised Estimate of Available Resources for 2020 shall be \$952,174,387, an **increase** of \$24.146 million over the 2020 Revised Estimate dated June 9, 2020.

The 2020 Original Estimate was revised downward by \$41.5 million on June 9, 2020 from \$969.528 million to \$928.028 million in anticipation of declines in revenue resulting from the COVID-19 pandemic.

The details of this second adjustment to the 2020 Official Revenue Estimate are the following:

2020 REVISED Revenue Estimate [2nd Revision to Original Estimate]

General Operating Fund [1000-100010]

	1 st Revised Estimate (6/9/2020)	Adjustment	2 nd Revised Estimate (10/19/2020)
ESTIMATED REVENUE:			
Income taxes	\$673,242,000	22,250,000	\$695,492,000
Property taxes	50,212,000	(1,000,000)	49,212,000
Investment earnings	17,900,000	3,000,000	20,900,000
Licenses and permits fees	11,931,000	(2,406,000)	9,525,000
Shared revenue	28,631,000	(4,225,000)	24,406,000
Charges for services	60,934,000	(965,000)	59,969,000
Fines and forfeits	15,564,000	(4,008,000)	11,556,000
Miscellaneous revenue	19,819,000	11,500,000	31,319,000
TOTAL ESTIMATED RESOURCES FROM REVENUE	\$878,233,000	24,146,000	\$902,379,000
TOTAL TRANSFERS IN	4,000,000	-	4,000,000
TOTAL ESTIMATED RESOURCES AND TRANSFERS	\$882,233,000	24,146,000	\$906,379,000
Estimated prior year encumbrance cancellations	5,000,000	-	5,000,000
2019 Year End Fund Balance	40,795,387	-	40,795,387
TOTAL ESTIMATED AVAILABLE RESOURCES	\$928,028,387	24,146,000	\$952,174,387



Income Tax

Income Tax revenue for 2020 was projected to increase approximately 3.0% over the 2019 Revised Estimate for Income Tax revenue. On June 9, 2020, the estimate for Income Tax revenue was reduced by \$46.5 million based on actual revenue received through May 31, 2020 and COVID-19 job loss analyses completed in early June 2020. This initial adjustment reflected an Income Tax revenue estimate of 4.65% less than 2019 actual Income Tax revenue. Through September 30, 2020, Income Tax revenue was 0.29% less than the 2019 actual revenue received through September 30, 2019.

We are revising the Income Tax revenue estimate a second time to reflect actual revenue received through September 30, 2020 and revised estimates for the 4th Quarter of 2020. The 2020 estimate for Income Tax revenue will be increased by \$22.250 million to \$695.492 million. This revision to the Income Tax revenue estimate reflects a 1.50% reduction in Income Tax revenue for the year when compared to the 2019 actual.

Property Tax

As of September 30, 2020, the majority of 2020 Property Tax revenue has been received and is \$1 million less than estimated, largely due to delinquencies. The 2020 Revenue Estimate is being revised downward to \$49.212 million.

Investment Earnings

Investment Earnings in the General Fund represent approximately 50% of all interest earnings on City Investments - with the remaining 50% being specifically allocated to other Funds-Subfunds-Projects per City Ordinance. In 2018, the City contracted with Meeder Investment Management to manage its investment portfolio. The 2020 estimate of \$17.9 million was prepared by Meeder based on investments made in 2018 and 2019 and maturing in 2020. Due to the investment of additional funds resulting from the 2019 bond issue and higher than anticipated cash available for investment (in part due to delays in project spending), actual investment earnings in the General Fund are expected to be \$20.9 million for 2020. The 2020 Revenue Estimate is being increased by \$3 million.

License and Permit Fees

License and permit fee revenue is comprised of cable franchise fees, public safety licenses, and permits. Based on the revenue collected through September 30, license and permit fees are down almost 20% as compared to actual collection through September 30, 2019. Based on this decrease and downward trend for 3rd Quarter 2020 revenue, the 2020 estimate is being decreased by an additional \$2.4 million. The estimate for license and permit fees was previously reduced by \$500 thousand with the June 9th adjustment to the revenue estimate.

Shared Revenue

Based on the information provided by the State of Ohio in June 2020, the State reduced the allocation of the Local Government Fund as a result of the impact of COVID-19 on State revenues. In addition, Casinos were closed or operating at a significantly reduced capacity as a result of COVID-19. The estimate for Local Government Funds and Casino Revenue to the General Fund is being reduced by \$4.225 million for 2020.

Charges for Services

Charges for services includes Pro Rata, parking, and other charges assessed by certain city departments including special police and fire charges, City Sealer, and City Attorney. The estimate for charges for services is being decreased by \$965 thousand in addition to the \$2.3 million reduction made in this line item on June 9th. This decrease is related to a reduction in revenue resulting from COVID-19 and the state of emergency. Material reductions that make up this \$3.265 million decrease include \$1 million in parking violations revenue, \$800 thousand in impound lot revenue, \$600 thousand in police high school resource officer revenue, and \$500 thousand in city parking garage revenue.

Fines and Forfeits

Revenue from fines and forfeits includes court costs and parking ticket fines. The estimate for fines and forfeits will be reduced by another \$4 million. This line item was reduced by \$4 million on June 9th. The total \$8 million reduction is due to very limited activity in the municipal court and a significant decline in downtown parking (and parking tickets) for the majority of the year due to the COVID-19 pandemic.

Miscellaneous Revenue

In May 2020, the City received a rebate of 2018 Bureau of Workers' Compensation (BWC) premiums of \$19.3 million; \$12.9 million of this rebate was allocated to the General Fund. In September 2020, BWC approved a rebate of 2019 premiums of approximately \$17.2 million; approximately \$11.5 million will be allocated to the General Fund when received in late October 2020 or early November. The estimate for miscellaneous revenue is being increased by \$11.5 million to reflect this rebate.



Megan N. Kilgore, City Auditor

October 19, 2020

2021 Official Revenue Estimate

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
ESTIMATED REVENUE:	
Income taxes	\$698,958,000
Property taxes	57,765,000
Investment earnings	8,675,000
Licenses and permits fees	11,641,000
Shared revenue	23,507,000
Charges for services	62,299,000
Fines and forfeits	14,738,000
Miscellaneous revenue	5,421,000
TOTAL ESTIMATED RESOURCES FROM REVENUE	\$883,004,000
TOTAL TRANSFERS IN	4,000,000
TOTAL ESTIMATED RESOURCES AND TRANSFERS	\$887,004,000
Estimated prior year encumbrance cancellations	5,000,000
Estimated 2020 Year End Fund Balance	71,996,000
TOTAL ESTIMATED AVAILABLE RESOURCES	\$964,000,000

This estimate includes an increase in 2021 income tax revenue of .50% over the 2020 revised estimate of income tax of \$695.5 million. The 2021 estimate of total resources from revenue is 1.24% higher than the 2020 revised estimate.

In addition to the total resources above, the Basic City Services Fund [1000-100017] has a balance of approximately \$20.852 million resulting from the 2019 rebate of 2017 Bureau of Worker’s Compensation premiums and other transfers into that subfund of the General Fund. If transferred to the General Operating Fund, the Total Estimated Available Resources for 2021 becomes \$984.852 million.

See “Notes to the City Auditor’s Statement of Estimated Available Resources” for additional information.



Megan N. Kilgore, City Auditor



CITY OF COLUMBUS, OHIO
NOTES TO THE CITY AUDITOR'S STATEMENT OF 2021 ESTIMATED AVAILABLE RESOURCES
GENERAL OPERATING FUND

NOTE 1 – GENERAL OPERATING FUND RESOURCES

The 2021 general operating fund total estimated *revenues* for the City of Columbus (“City”) are approximately \$883 million. The revenue is generated through income tax, property tax, investment income, licenses and permits, charges for services, shared revenue, fines and forfeitures, and other miscellaneous revenue.

Total 2021 estimated *resources* for the general operating fund, which include revenues, transfers in, estimated cancellations of prior year encumbrances and the estimated year end cash balance at December 30, 2020 are \$964 million.

Total estimated revenues for 2021 decreased \$19.4 million or 2.15% over the revised estimated revenues for 2020 of \$902.4 million. Total estimated resources for 2021 represent an \$11.8 million or 1.24% increase over the revised estimate of total resources for 2020 of \$952.2 million. The table below displays the total amount of estimated revenue attributable to each revenue category for both 2020 and 2021 and the actual revenue collected for 2019.

(\$ in thousands)

Revenue Categories	2019		2020		2021	
	Actual	% to Total	Revised Estimate	% to Total	Original Estimate	% to Total
Property Taxes	\$50,390	5.5%	\$49,212	5.4%	\$57,765	6.5%
Income Taxes	706,086	77.6%	695,492	77.1%	698,958	79.2%
License and Permit Fees	12,106	1.3%	9,525	1.1%	11,641	1.3%
Fines Forfeitures and Penalties	18,921	2.1%	11,556	1.3%	14,738	1.7%
Investment Earnings	21,146	2.3%	20,900	2.3%	8,675	1.0%
Charges for Service	65,366	7.2%	59,969	6.6%	62,299	7.1%
Shared Revenue	29,628	3.3%	24,406	2.7%	23,507	2.6%
Other Revenue	<u>5,966</u>	<u>0.7%</u>	<u>31,319</u>	<u>3.5%</u>	<u>5,421</u>	<u>0.6%</u>
Resources from Revenue	<u>\$909,609</u>	<u>100.0%</u>	<u>\$902,379</u>	<u>100.0%</u>	<u>\$883,004</u>	<u>100.0%</u>

NOTE 2 – INCOME TAX REVENUE

Income tax revenue represents approximately 79% of total general fund revenues. *Total* income tax collection for 2021, after providing for refunds to taxpayers, are estimated at \$931.944 million. One fourth of the collections will be deposited into a debt service fund, more commonly known as the “Special Income Tax Fund”. The remaining three fourths of the collections, approximately \$698.958 million, will be deposited in the City’s general operating fund. The City’s current income tax rate is 2.5%, which is

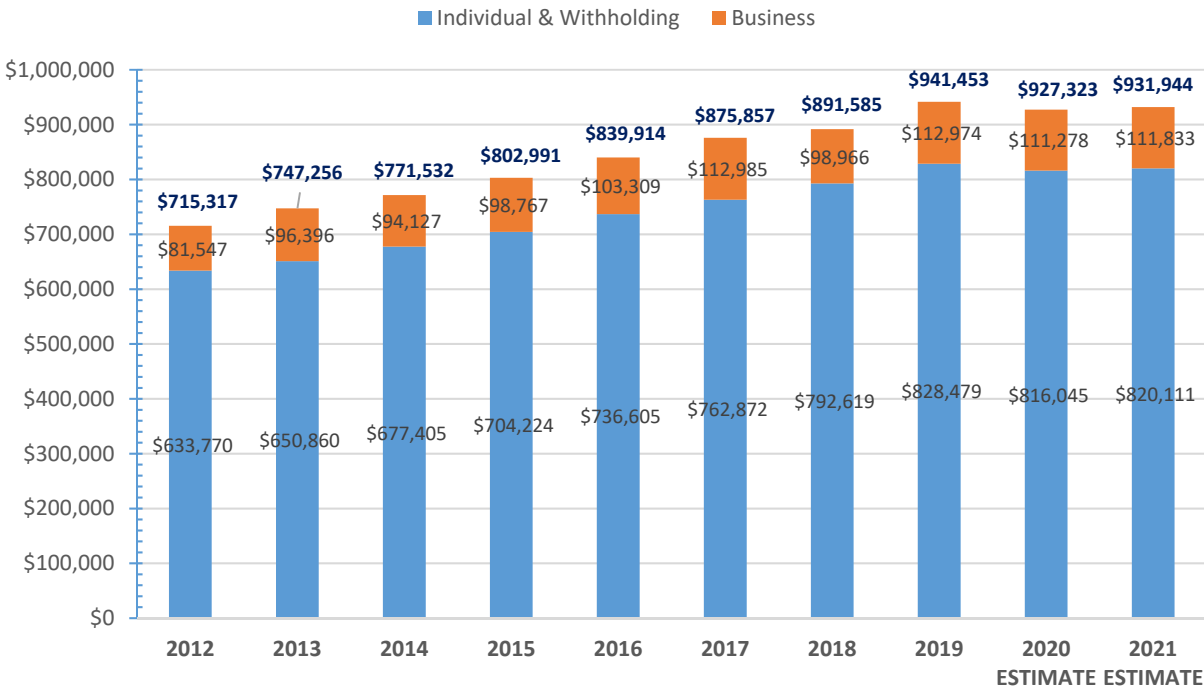
CITY OF COLUMBUS, OHIO

NOTES TO THE CITY AUDITOR'S STATEMENT OF 2021 ESTIMATED AVAILABLE RESOURCES

GENERAL OPERATING FUND

levied on all wages, salaries, commissions, other compensation paid to employees, and on net profits of business operations in the City. Income tax revenues are estimated based upon trends in the local economy, changes in the job market, unemployment and timing of payments. The 2021 income tax estimate reflects a 0.50% increase over the 2020 revised estimate dated October 19, 2020. As a result of temporary and permanent job loss related to the COVID-19 pandemic, the 2020 income tax revenue estimate was adjusted to 1.50% lower than the 2019 actual income tax revenue. In the past twenty years there have only been 3 years in which income tax revenues on a cash basis have been lower than the prior year: 2002, -0.29%; 2008, -0.53%; and 2009, -0.85%. The graph below shows total income tax collections/estimates over the past 10 years.

Total Income Tax Revenue
(in thousands)



NOTE 3 – PROPERTY TAX REVENUE

The City's share of taxes collected in 2021 attributable to real properties is estimated at \$57.8 million, net of an estimated \$3 million retained by the counties and the state for certain of their costs. Amounts paid directly to the City from the State of Ohio, known as "rollbacks", are included herein. Property tax revenues are estimated based on trends in assessed valuation of property as determined by the county auditors. Assessed values on real property are established by state law at 35 percent of appraised market value. A revaluation of all property is required to be completed every sixth year. The last revaluation in Franklin County was completed in 2017. Ohio law prohibits taxation of property from all taxing authorities within a county in excess of 1 percent of assessed value without a vote of the people. Under current procedures, the City's share is .314 percent (3.14 mills) of assessed value. Increases in the property tax rate are restricted only by voter willingness to approve such increases.

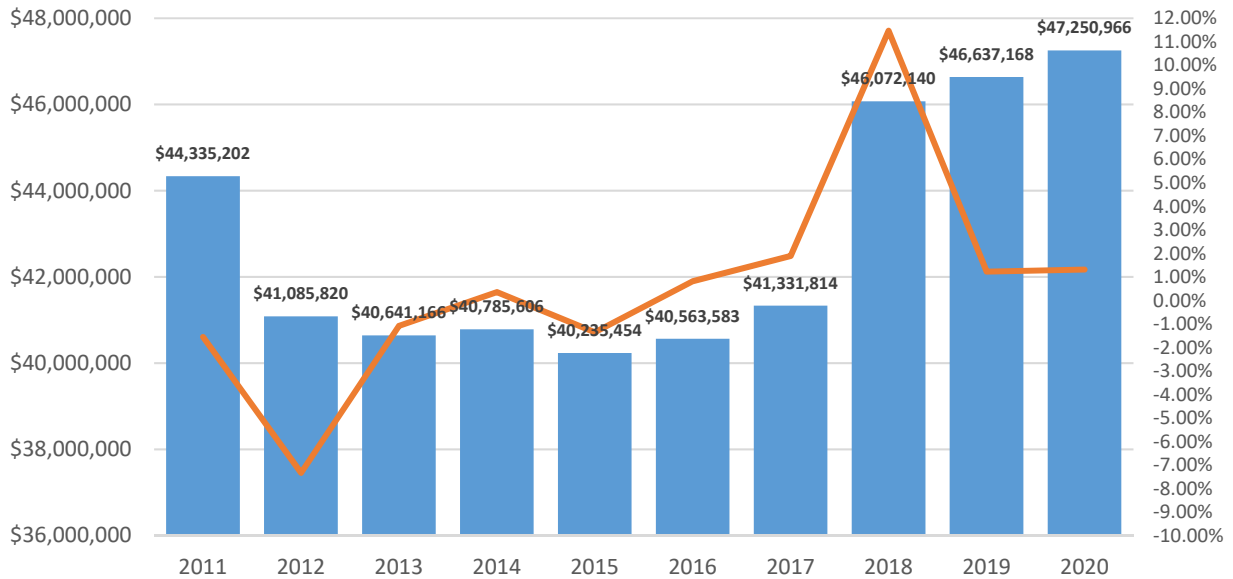
CITY OF COLUMBUS, OHIO

NOTES TO THE CITY AUDITOR'S STATEMENT OF 2021 ESTIMATED AVAILABLE RESOURCES
GENERAL OPERATING FUND

Franklin County tax year 2020 assessed values for property tax amounts to be collected in 2021 will be available in December 2020. A triennial update of assessed values was completed in 2020 and preliminary indications are that assessed values will increase by 20-25% for 2020. The graph below shows total estimated actual taxable property value and the year over year percentage change for the past 10 years.

Estimated Actual Value of Taxable Property
and Year over Year Percentage Change

(\$ in thousands)
Franklin County, Ohio



NOTE 4 – INVESTMENT EARNINGS

The City pools its cash and investments for maximum investing efficiency. Earnings on the pool are allocated to individual funds at the discretion of City Council after meeting certain requirements. Interest earnings in excess of amounts required to be allocated are recorded as revenue in the General Fund. Based on the estimated amount of pooled cash and investments and projected interest rates, it is estimated that \$8.7 million will be posted as revenue to the General Fund in 2021. The 2021 estimate for investment earnings is \$12.3 million or 58.5% less than the 2020 revised estimate due to declining interest rates on investments permitted by the Columbus City Code.

NOTE 5 – LICENSES AND PERMITS

It is estimated that various licenses and permits issued by the City's Department of Public Safety will generate approximately \$2.9 million for the general fund in 2021. Cable permits are estimated to produce \$8.6 million, while other licenses and permits will add another \$108 thousand for a total of \$11.6 million in licenses and permits. These estimates are determined based on trending and recognition of changes in various license in permit fees and related activity from year to year. The estimated revenue from

CITY OF COLUMBUS, OHIO
NOTES TO THE CITY AUDITOR'S STATEMENT OF 2021 ESTIMATED AVAILABLE RESOURCES
GENERAL OPERATING FUND

licenses in permits for 2020 was reduced from the original estimate by almost \$3 million due to the lack of activity related to many of safety licenses and permits as a result of the COVID-19 pandemic. The 2021 estimate includes the anticipation of a slight recovery in the related revenue line items, but not a return to normal revenue levels for licenses and permits.

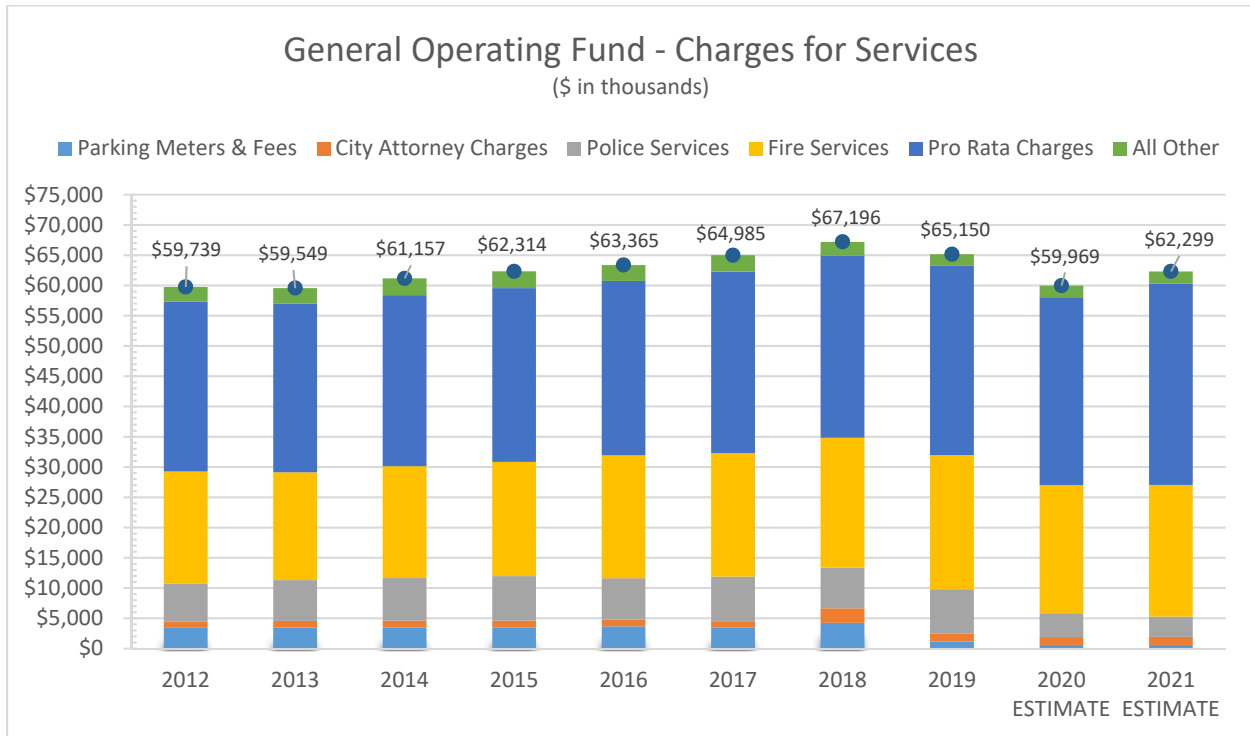
NOTE 6 – SHARED REVENUE

Shared revenue sources are estimated at \$23.5 million for 2021. Shared revenues include portions of the various State of Ohio taxes which are shared with local governments within the State. It is estimated that these shared taxes will provide \$20 million. Additionally, the City receives Casino taxes as an allocation of county share portion and as a host city portion. Total casino taxes are estimated at \$5.8 million. The City has entered into various agreements funded with Casino taxes. For 2020 it is estimated that \$3.5 million in Casino taxes will remain in the General Fund. Shared revenues have been significantly impacted by the COVID-19 pandemic. As a result of the decline in State taxes and closures of casinos in response to the state of emergency, shared revenues have declined by 20% as compared to 2019 actuals.

NOTE 7 – CHARGES FOR SERVICES

Charges for services in 2021 are estimated at \$62.3 million. The most significant revenue sources included in charges for services are for Pro Rata, Division of Fire Emergency Medical Services Billing, and special Police services. Pro Rata (or administrative charges to non-general operating fund divisions) represents certain operating costs borne by the general operating fund and then partially allocated to other funds of the City. Ordinance 2293-2018 calls for an assessment rate of 4.5% of revenues of the funds assessed, resulting in revenue to the general operating fund estimated at \$33.3 million for 2021. Since the revenues from the water, sanitary sewer, and storm sewer enterprise have not been significantly impacted by the COVID-19 pandemic, Pro Rata has remained consistent with prior years. The Fire Services estimate of \$21.8 million includes fire Emergency Medical Services Billing for fees related to emergency medical transportation services of \$17.5 million for 2021. Special Police services include auto impound fees, policing special community, and other events and is estimated to generate revenue of \$3.3 million in 2021. Due to the COVID-19 stay at home order and employers requiring employees to work remotely rather than at downtown office locations, charges for services related to parking meters and City-owned garage revenues have been negatively impacted. Estimates for charges for services revenue are based on trends from year to year and identification of certain events that may cause fluctuations in the revenue (i.e. change in rates for non-general operating fund divisions will impact Pro Rata charges). The following graph illustrates charges for services revenue by source over a 10 year period.

CITY OF COLUMBUS, OHIO
NOTES TO THE CITY AUDITOR'S STATEMENT OF 2021 ESTIMATED AVAILABLE RESOURCES
GENERAL OPERATING FUND



NOTE 8 – FINES AND FORFEITS

Fines, forfeitures, court costs, etc., resulting from operations of the Franklin County Municipal Court should produce approximately \$10.5 million in 2021, while the City’s Parking Violations Bureau is expected to collect \$4 million in parking ticket fines. During 2020, these revenue line items were trending at 40% lower than 2019. The Franklin County Municipal Court was closed for part of the year and returned to a significantly lower number of cases in order to accommodate safe return to work policies after the COVID-19 stay at home order. In addition, the COVID-19 public health crisis kept downtown workers and visitors from parking downtown; therefore, parking ticket fines were down by approximately 60%. The 2021 estimate assumes a slight recovery; however, the estimate is 25% lower than 2019 actuals.

NOTE 9 – MISCELLANEOUS REVENUES

Miscellaneous revenues are estimated at \$5.421 million for 2021. Kilowatt hour (kWh) tax is permitted to be levied on users of electricity provided by the City’s Division of Electricity. State statutes provide for the kWh tax to be deposited into the City’s general operating fund and the City reports this amount as miscellaneous revenue. The kWh tax for 2021 is estimated at \$3.25 million. The remaining \$2.171 million estimated in miscellaneous revenue is for rents, refunds, reimbursements, and other miscellaneous payments.

NOTE 10 – TRANSFER IN

Transfers from other funds for 2021 are estimated at \$4 million; this represents 25% sharing by the Special Income Tax fund of job incentive programs to be paid from the City’s general operating fund. Although not included in the Total Estimated Available Resources for 2021, there is \$20.852 million in the Basic City Services Fund [Fund 1000; Subfund 100017] resulting from the 2019 rebate of 2017 Bureau of Worker’s

CITY OF COLUMBUS, OHIO
NOTES TO THE CITY AUDITOR'S STATEMENT OF 2021 ESTIMATED AVAILABLE RESOURCES
GENERAL OPERATING FUND

Compensation premiums and other transfers into that subfund of the General Fund. If transferred to the General Operating Fund, the Total Estimated Available Resources for 2021 becomes \$984.852 million.

NOTE 11 – PRIOR YEAR ENCUMBRANCE CANCELLATIONS

Encumbrances which will be carried forward to 2021, but not used, are estimated at \$5 million. These cancellations will increase unencumbered cash in 2021 to be used for operations. Cancellations are estimated based on previous trends of encumbrance amounts carried forward from year to year, as well as the amounts cancelled each year.

NOTE 12 – ESTIMATED AVAILABLE BEGINNING BALANCE

The estimated available beginning balance to be used for 2021 operations is determined using: 1) the 2020 third quarter review of actual revenues as compared to estimated revenues and 2) actual expenditures as compared to the amount appropriated for the year. The beginning cash balance is estimated as follows:

General Operating Fund Estimated Beginning Cash Balance	(in thousands)
Beginning Cash Balance - January 1, 2020	\$ 74,637
Less - Outstanding Encumbrances at December 31, 2019	33,842
Unencumbered Cash Balance - January 1, 2020	<u>40,795</u>
Add - City Auditor's Estimated 2020 Receipts	878,233
Add - City Auditor's Estimated Encumbrance Cancellations	5,000
Add - Transfers In	4,000
Total Amount Available for Appropriations	<u>\$ 928,028</u>
Total Amount Appropriated for Expenditures	<u>\$ 928,028</u>
Projected Amount Available in Excess of Estimate	
Increase 2020 Revenue Estimate dated October 19, 2020	\$ 24,146
Encumbrance Cancellations in Excess of Estimate	-
Projected Amount Available in Excess of Estimate	<u>24,146</u>
Projected Appropriation Surplus (Deficit)	
Total Appropriated as of September 30, 2020	928,028
Less 2020 Projected Operating Expenditures	880,178
Projected Appropriation Surplus (Deficit)	<u>47,850</u>
Projected Available Cash Balance - December 31, 2020	<u>\$ 71,996</u>