

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: October 21, 2021

2022 OFFICIAL REVENUE ESTIMATE

Dear Colleagues:

Historically, our revenue estimates have been built upon multi-year analyses and largely predictable trend data. The last two years have been extraordinary; we've often had to deal with more uncertainty than certainty. This 2022 Official Revenue Estimate is no different. There are four evolving factors that will impact our revenue in 2022:

1. Remote Work and Its Effect on the City's Income Tax Revenues
2. Ongoing COVID-19 Recovery
3. Economic Growth
4. Income Tax Refunds Due to Remote Work in 2021

Remote work remains the largest risk to this Revenue Estimate. We conducted extensive economic and behavioral analyses, created models, and conducted surveys — all seeking to quantify the possibilities, as well as probabilities, of remote work as pertinent to the City's income tax collections. We have included detail regarding this research within — see the NOTES to this Revenue Estimate.

General Fund revenues (including transfers in) for 2022 are forecasted to be \$929.187 million, a decrease of 3.21% as compared to the 2021 Revenue Estimate (2nd Revision) dated July 23, 2021. We will closely monitor the actual impacts to revenues in the first quarter of 2022 and will update projections as needed.

We endeavored to provide a lot of useful information in the ensuing document. Please contact me with any follow-up questions.



Megan N. Kilgore
City Auditor



October 21, 2021

2022 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 2022.

Statement of Estimated Available Resources

	Original Estimate
<i>ESTIMATED GENERAL OPERATING FUND REVENUE:</i>	
Income taxes	\$723,071,000
Property taxes	68,923,000
Investment earnings	8,000,000
Licenses and permits fees	11,016,000
Shared revenue	32,087,000
Charges for services	61,962,000
Fines and forfeits	7,663,000
Miscellaneous revenue	5,465,000
TOTAL ESTIMATED RESOURCES FROM REVENUE	\$918,187,000
TOTAL TRANSFERS IN [includes \$6 million transfer in from 1000-100019]	11,000,000
TOTAL ESTIMATED RESOURCES AND TRANSFERS	\$929,187,000
Estimated prior year encumbrance cancellations	5,000,000
Estimated 2021 Year End Fund Balance	48,937,000
TOTAL ESTIMATED AVAILABLE RESOURCES GENERAL OPERATING FUND	\$983,124,000
<i>UNENCUMBERED CASH AVAILABLE IN OTHER GENERAL FUND SUBFUNDS:</i>	
Estimated Unencumbered Cash – JOB GROWTH [100015]	\$2,180,000
Estimated Unencumbered Cash – PUBLIC SAFETY INITIATIVE [100016]	495,000
Estimated Unencumbered Cash – BASIC CITY SERVICES [100017]	60,845,000
Estimated Unencumbered Cash – NEIGHBORHOOD INITIATIVE [100018]	3,195,000
TOTAL ESTIMATED AVAILABLE RESOURCES	\$1,049,839,000

This estimate includes a decrease in 2022 income tax revenue of 3.96% as compared to the 2021 revised estimate of income tax of \$752.880 million. The 2022 estimate of total resources is \$60.2 million or 5.77% lower than the 2021 revised estimate.



In addition to the total resources estimated for the General Operating Fund, there is an estimated \$66.715 million in unencumbered cash in other General Fund subfunds, which could be transferred to the General Operating Fund to cover the cost of basic city services. If the encumbered balances in these General Fund subfunds were transferred to the General Operating Fund, total estimated available resources would be \$1.050 billion for 2022.

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

CITY OF COLUMBUS, OHIO
NOTES TO THE CITY AUDITOR'S STATEMENT OF 2022 ESTIMATED AVAILABLE RESOURCES
GENERAL OPERATING FUND

NOTE 1 – GENERAL OPERATING FUND RESOURCES

The 2022 General Operating Fund total estimated *revenues* for the City of Columbus (“City”) are approximately \$918 million. The revenue is generated through income tax, property tax, licenses and permit fees, fine, forfeitures, and penalties, investment earnings, charges for services, shared revenue, and miscellaneous revenue.

Total 2022 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, 2021 are \$983 million.

Total estimated revenues for 2022 decreased \$27.8 million or 2.94% as compared to the revised estimated revenues for 2021 of \$946 million. Total estimated resources for 2022 represent a \$60.2 million or 5.77% decrease as compared to the estimated total resources for 2021 of \$1.043 billion. The table below displays the total amount of estimated revenue attributable to each revenue category for both 2022 and 2021 and the actual revenue collected for 2020.

(\$ in thousands)

Revenue Categories	2020		2021		2022	
	Actual	% to Total	Revised Estimate	% to Total	Original Estimate	% to Total
Income Taxes	\$699,560	72.5%	\$752,880	79.6%	\$723,071	78.8%
Property Taxes	49,378	5.1%	57,765	6.1%	68,923	7.5%
License and Permit Fees	9,759	1.0%	11,641	1.2%	11,016	1.2%
Fines, Forfeitures, and Penalties	11,613	1.2%	14,738	1.6%	7,663	0.8%
Investment Earnings	18,976	2.0%	8,675	0.9%	8,000	0.9%
Charges for Service	60,886	6.3%	62,299	6.6%	61,962	6.7%
Shared Revenue	27,657	2.9%	29,107	3.1%	32,087	3.5%
Miscellaneous Revenue	86,806	9.0%	8,921	0.9%	5,465	0.6%
Resources from Revenue	\$964,635	100.0%	\$946,026	100.0%	\$918,187	100.0%

NOTE 2 – INCOME TAX REVENUE

Income tax revenue represents approximately 79% of total General Fund revenues for 2022.

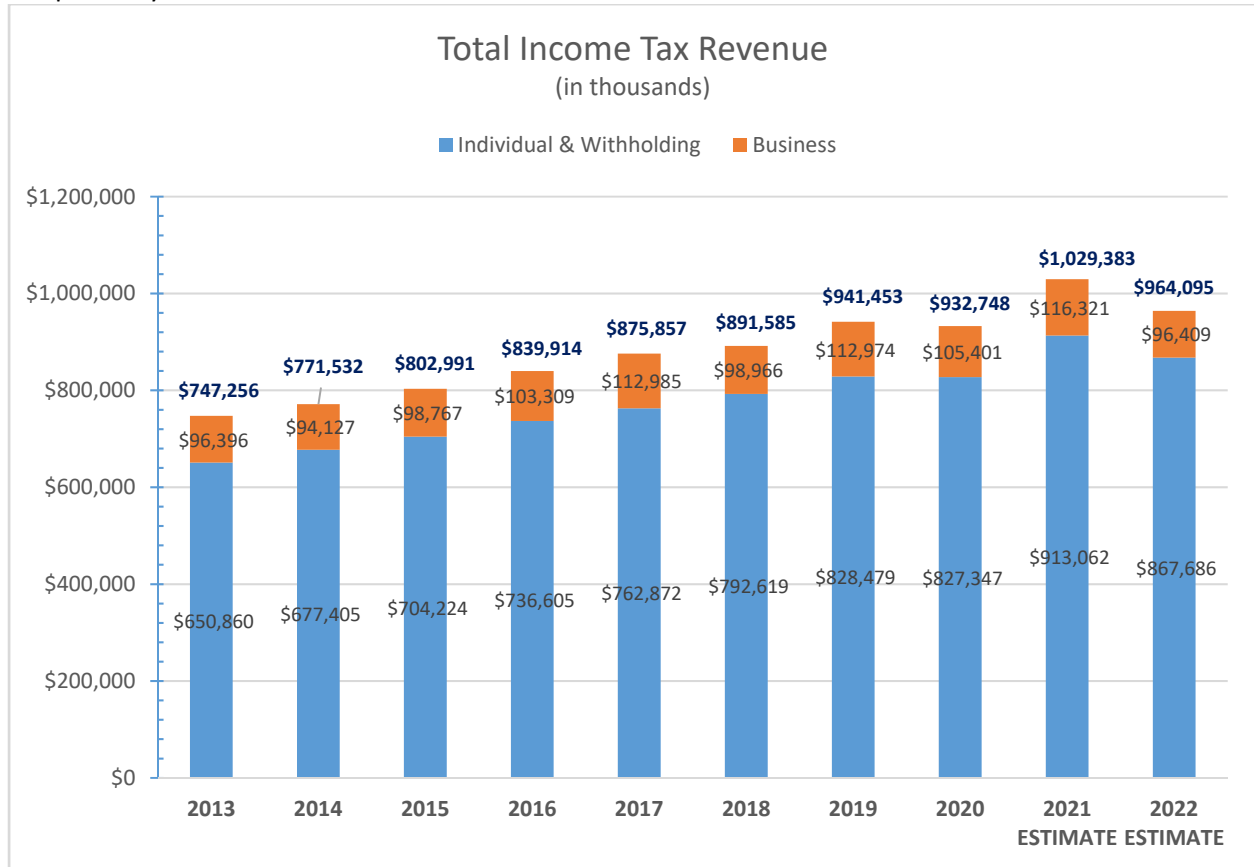
The Columbus economy continues to rebound from one of the most dramatic crises in our history. After initially falling at unprecedented rates in the early stages of the pandemic, the City’s total income tax collections have roared back, even while the recovery has been partial. At the end of September 2021, income tax collections were 12.25% over September 2020. Withholdings, the largest portion of income taxes, are presently 7.5% higher than the same period in 2020. Corporate net profits, which represent approximately 15% of income tax revenue through September 2021, have increased 51.86% over the same period in 2020.

CITY OF COLUMBUS, OHIO

**NOTES TO THE CITY AUDITOR’S STATEMENT OF 2022 ESTIMATED AVAILABLE RESOURCES
GENERAL OPERATING FUND**

Total income tax revenues for 2022, after providing for refunds to taxpayers, are estimated at \$964.095 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 \$723.071 million, will be deposited in the City’s General Operating Fund. The City’s current income tax rate is 2.5%, which is levied on all wages, salaries, commissions, other compensation paid to employees, and on net profits of business operations in the City.

The 2022 General Fund income tax revenue was estimated based on projections for additional wage earnings and expected decreases in income tax revenue as a result of work from home trends. This revenue estimate includes a 3.96% decrease in income tax revenue as compared to the revised revenue estimate amount of \$752.880 million. The graph below shows total income tax collections/estimates over the past 10 years.



Remote Work and Its Effect on the City’s Income Tax Revenues

Remote work has created an inflection point in the City’s income tax collections. While rules for taxing remote work have long been in place, what has changed is quantity and frequency of remote work.

Estimating remote work — and its revenue impact to the City — requires both economic and behavioral modeling. To estimate the impact of remote work on income tax revenue we studied the potential revenue loss due to remote work forecasts, commuter patterns for key job types in certain areas of

CITY OF COLUMBUS, OHIO
NOTES TO THE CITY AUDITOR'S STATEMENT OF 2022 ESTIMATED AVAILABLE RESOURCES
GENERAL OPERATING FUND

Columbus, and surveys of our largest employers as to remote work trends and their ability to capture work location with current systems.

1. Revenue Loss:

Using the actual 2019 jobs in the City of Columbus by North American Industry Classification System (NAICS) code (e.g. retail, construction), we overlaid remote work forecasts by national firms such as McKinsey. These forecasts assumed both “likely” remote work as well as “maximum” remote work (i.e. without losing productivity).

Next, using previous years’ Ohio Department of Transportation and U.S. Census Bureau OnTheMap data regarding commuter patterns, we made assumptions for the amount of remote work that would be staying in or leaving Columbus. It is important to recognize that Columbus — and its strong residential footprint — will also benefit from remote workers that would otherwise be traveling to regional job sites. This is imprecise given that we do not have actual detail by company, but some benchmarks exist, particularly for knowledge workers.

Finally, we created models (low remote work, likely remote work, and high remote work) to illustrate potential revenue loss to the City assuming those levels of remote work were in place.

2. Deep Dive into Job Types:

Our methodology was expanded to look at occupations within the labor force instead of high-level industry sectors. For example, office-type jobs (e.g. finance, insurance) are much more responsive to remote work than production-type jobs (e.g. building trades) or occupations that require person-to-person contact (e.g. healthcare, education).

Focusing on four key job areas — Capitol South/Downtown, Arena District, Easton, and Polaris — we looked at the total jobs in each area and then used commuter data to separate those workers who lived in Columbus from those who lived outside. Finally, we extracted the jobs that were more than likely poised for remote work. This provided an aggregate potential revenue loss for each of our major employment districts.

3. Major Employer Surveys:

Our top 50 largest employers (by income tax withholding) represent approximately 25% of our General Fund income tax collections, a sizeable barometer for analysis. We contacted each of these employers in October and asked:

- Do you have employees working remotely? If so, have you begun withholding municipal income tax for their remote locations?
- Of your Columbus workers, how many do you anticipate will be working remotely in 2022? Future trends? (for example, some employers have already reduced their physical offices)

CITY OF COLUMBUS, OHIO
NOTES TO THE CITY AUDITOR'S STATEMENT OF 2022 ESTIMATED AVAILABLE RESOURCES
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Using the above analyses, we have provided in this Revenue Estimate our best forecast as to remote work's impact on the City's revenues. It was clear during the surveys with the Top 50 largest employers that remote work plans are in a state of flux. Given this, we are providing a table below to illustrate the magnitude of ranges — meaning, if the degree of remote work is lower or higher than anticipated today.

	High	2022 Revenue Estimate	Low
Impacts of remote work on Income Tax Collections as a Percent of Total Income Tax Collections	15%	10%	5%
Impact of remote work on Income Tax Collections in dollars to the General Fund**	\$117.3 million	\$80.6 million	\$43.8 million

*** The dollar impact of remote work on income tax collections in 2022 reflects the 10% increase in income tax revenue in 2021, an estimated 4% increase in wages in 2022, and an assumption for refunds of 2021 remote work income tax withholdings.*

Ongoing COVID-19 Recovery

Significant fiscal and monetary stimulus measures were, and continue to be, implemented in response to the pandemic. These stimulus measures have provided support for public health, state and local governments, businesses, and individuals. While some of the supports have been exhausted, certain recovery funds remain in the Columbus economy.

To illustrate this: Ohio's 2nd Quarter personal income data showed a 7.6% decline from the 1st Quarter 2021. This was entirely due to the reduced transfer payments (i.e. fiscal stimulus) as overall earnings rose by 2.5% over the same period. As federal relief, particularly to households, further recedes, we will monitor its impact to Columbus' revenues.

While not assumed as part of this Revenue Estimate, any future federal funds for infrastructure (e.g. if the Build Back Better Act is approved) will provide for a strong multiplier effect on local wages as local businesses benefit from these projects.

Finally, future trends in vaccinations and the potential for more variants of COVID-19 present both upside and downside risks to this Revenue Estimate.

Economic Growth

We continue to forecast growth in the Columbus economy. The collective response of federal, state, and local governments led to improved economic conditions in Columbus, though recovery certainly remains uneven.

Per the U.S. Bureau of Labor Statistics, in August 2021 the Columbus Metropolitan Statistical Area unemployment rate improved slightly to 4.7%. Overall, labor force continues to be depressed compared to pre-pandemic 2019. While some individuals have chosen to leave the labor force permanently, others have left for a variety of reasons, including health concerns, child care, or education. However, predictive employment data suggests a tight labor market will continue to offer acceleration in employment levels and we expect that jobs numbers will continue to strengthen.

CITY OF COLUMBUS, OHIO

NOTES TO THE CITY AUDITOR'S STATEMENT OF 2022 ESTIMATED AVAILABLE RESOURCES

GENERAL OPERATING FUND

We also anticipate benefitting from ongoing growth in certain sectors. Our mature industries of healthcare, financial/insurance services, and education have consistently provided growth for emerging businesses in sectors like technology, biotech, and health sciences. We continue to see investments in these sectors and expect growth in jobs — both on-site and remote — to occur concurrently.

A three-year analysis of jobs, by NAICS code designation, and their respective +/- changes is below. Also presented is the Ohio wage growth through the second quarter of 2021, as compared to the same period in 2020.

NAICS	2019	2020		2021		WAGE GROWTH
	# Columbus Jobs	Columbus - Annual Average	% Change	Columbus - Average thru August	% Change	Ohio Earnings Q2 2021 v. Q2 2020
Agriculture, Forestry, Fishing and Hunting	263	N/A		N/A		N/A
Mining, Quarrying, and Oil and Gas Extraction	262	N/A		N/A		N/A
Utilities	2,693	2,485	-7.7%	2,405	-3.2%	-2.3%
Construction	23,180	23,123	-0.2%	24,311	5.1%	19.6%
Manufacturing	26,062	25,031	-4.0%	25,742	2.8%	8.3%
Wholesale Trade	18,723	18,013	-3.8%	18,013	0.0%	7.0%
Retail Trade	47,719	45,546	-4.6%	46,018	1.0%	20.4%
Transportation and Warehousing	30,307	34,884	15.1%	36,166	3.7%	12.0%
Information	9,799	8,616	-12.1%	8,335	-3.3%	13.2%
Finance and Insurance	33,640	33,403	-0.7%	33,167	-0.7%	3.1%
Real Estate and Rental and Leasing	11,021	10,597	-3.8%	11,586	9.3%	7.2%
Professional, Scientific, and Technical	34,880	34,617	-0.8%	34,564	-0.2%	11.1%
Management of Companies and Enterprises	14,202	13,905	-2.1%	13,830	-0.5%	2.6%
Administrative and Support and Waste Management and Remediation Services	34,836	32,215	-7.5%	32,758	1.7%	20.0%
Educational Services	11,431	10,370	-9.3%	11,254	8.5%	3.9%
Health Care and Social Assistance	92,718	88,916	-4.1%	89,303	0.4%	12.1%
Arts, Entertainment, and Recreation	8,278	5,996	-27.6%	6,049	0.9%	59.8%
Accommodation and Food Services	47,789	39,557	-17.2%	40,799	3.1%	75.0%
Other Services (except Public Administration)	24,887	22,345	-10.2%	23,114	3.4%	17.8%
Government	107,103	104,003	-2.9%	104,120	0.1%	2.9%
Unclassified	31	N/A		N/A		
	579,824	553,623	-4.5%	561,535	1.4%	

Source: U.S. Bureau of Labor Statistics

Income Tax Refunds Due to Remote Work in 2021

At the end of June 2021, the State of Ohio (“State”) passed legislation to allow for refunds of 2021 municipal income tax paid on behalf of remote workers to the municipality where the business was located rather than where the employee was physically working. These refunds will be requested in 2022 with the filing of 2021 tax returns; however, due to this change, we could 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.

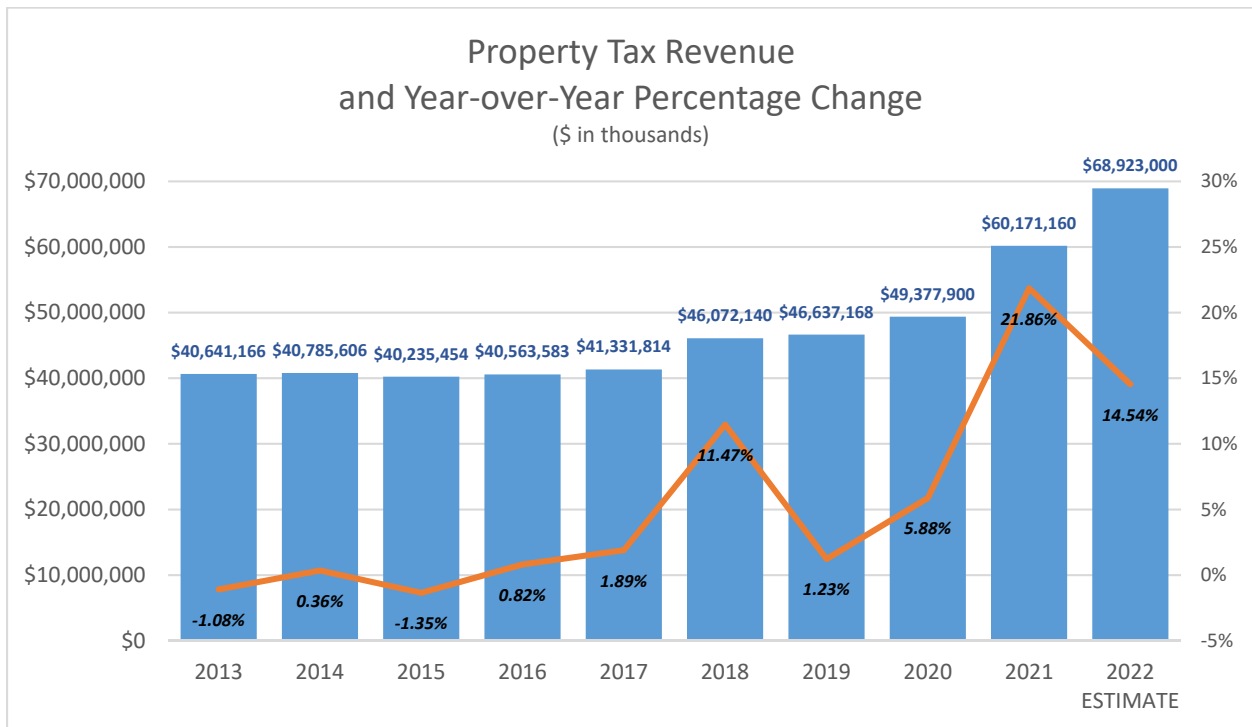
We do anticipate that a small percentage of refund requests will occur in 2022, but we are not anticipating that large portions of Columbus workers will seek to transfer their tax withholding liability to other jurisdictions. Reasons for this include administrative burden, complexity, and the fact that a lot of our regional communities have the same or similar tax rates. Higher-paid individuals who live in townships (with no tax rate) could be a notable exception.

CITY OF COLUMBUS, OHIO
NOTES TO THE CITY AUDITOR'S STATEMENT OF 2022 ESTIMATED AVAILABLE RESOURCES
GENERAL OPERATING FUND

NOTE 3 – PROPERTY TAX REVENUE

The City's share of taxes collected in 2022 attributable to real properties is estimated at \$68.9 million, net of an estimated \$1.96 million retained by the counties and the State for certain of their costs. Amounts paid directly to the City from the State, 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 one 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.

Franklin County tax year 2021 assessed values for property tax amounts to be collected in 2022 will be available in December 2021. A triennial update of assessed values was completed in 2020 and assessed values increased by 20-25% for tax year 2020 with collections in 2021. The graph below shows total property tax revenue, the year-over-year percentage change for the past nine years, and an estimate for 2022.



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.

CITY OF COLUMBUS, OHIO
NOTES TO THE CITY AUDITOR'S STATEMENT OF 2022 ESTIMATED AVAILABLE RESOURCES
GENERAL OPERATING FUND

Based on the estimated amount of pooled cash and investments and projected interest rates, it is estimated that \$8.0 million will be posted as revenue to the General Fund in 2022. The 2022 estimate for investment earnings is consistent with the 2021 revised estimate as interest rates on investments permitted by the Columbus City Code have remained relatively flat.

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 \$1.9 million for the General Fund in 2022. Cable permits are estimated to produce \$9 million, while other licenses and permits will add another \$100 thousand for a total of \$11 million in licenses and permits. The 2022 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

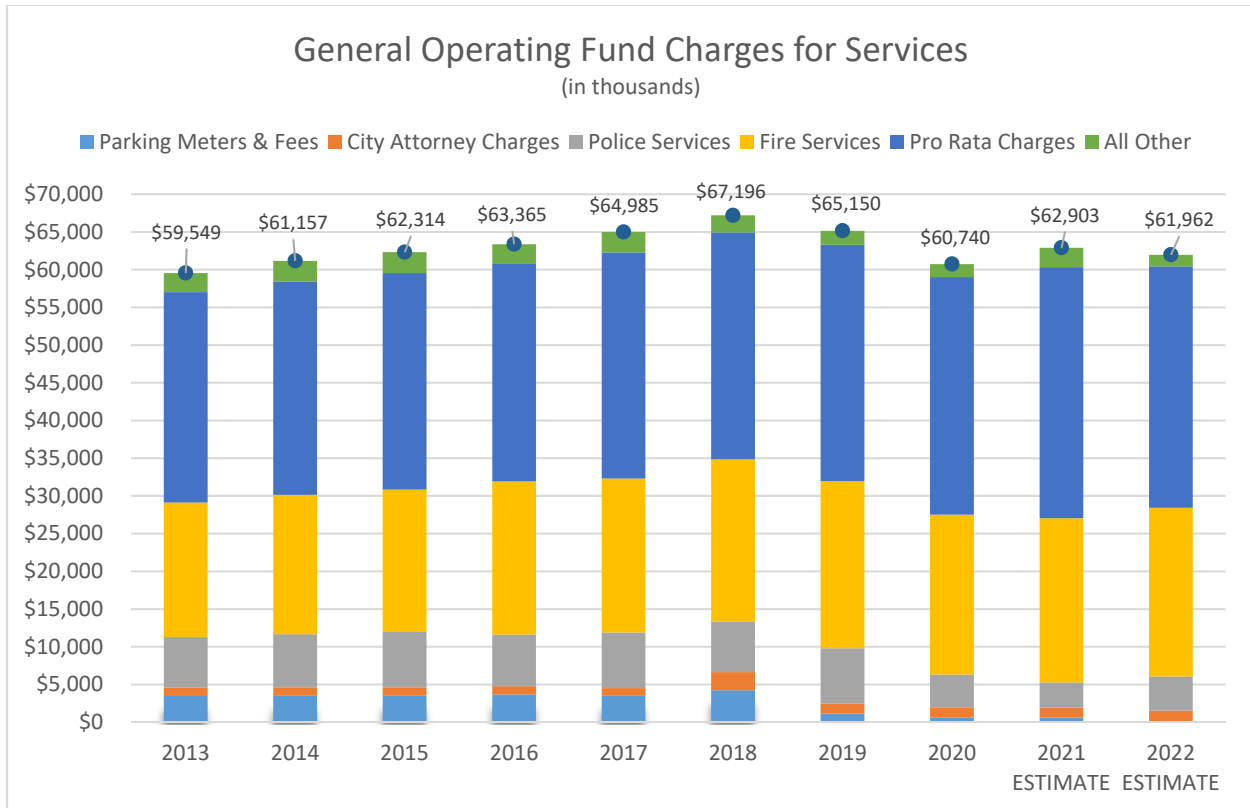
Shared revenue sources are estimated at \$32.1 million for 2022. Shared revenues include portions of the various State taxes which are shared with local governments within the State. It is estimated that these shared taxes will provide \$25.1 million. Additionally, the City receives Casino taxes as an allocation of county share portion and as a host city portion. Total casino taxes are estimated at \$12 million. The City has entered into various agreements funded with Casino taxes. For 2022, it is estimated that \$7 million in Casino taxes will remain in the General Fund.

NOTE 7 – CHARGES FOR SERVICES

Charges for services in 2022 are estimated at \$61.9 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 \$32 million for 2022. 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 \$22.4 million includes Fire Emergency Medical Services Billing for fees related to emergency medical transportation services of \$17.75 million for 2022. Special Police services include auto impound fees, policing special community and other events and is estimated to generate revenue of \$4.5 million in 2022.

CITY OF COLUMBUS, OHIO
NOTES TO THE CITY AUDITOR'S STATEMENT OF 2022 ESTIMATED AVAILABLE RESOURCES
GENERAL OPERATING FUND

The following graph illustrates charges for services revenue by source over a 10-year period.



NOTE 8 – FINES AND FORFEITS

Revenue from Fines and Forfeits consists of court costs and parking ticket fines. Court costs resulting from operations of the Franklin County Municipal Court should produce approximately \$7.7 million in 2022. Due to the COVID-19 pandemic, the Franklin County Municipal Court returned to a lower number of cases in order to accommodate safe return to work policies. Pre-pandemic revenue from court costs were approximately \$12.5 million per year. It is expected that the City's parking services revenue and expense will be moved to an enterprise fund in 2022; therefore, revenue from parking ticket fines of approximately \$4 million (or \$6 million pre-pandemic) will be moved out of the General Fund and into the Mobility Enterprise Fund.

NOTE 9 – MISCELLANEOUS REVENUES

Miscellaneous revenues are estimated at \$5.465 million for 2022. 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 2022 is estimated at \$3.25 million. The remaining \$2.215 million estimated in miscellaneous revenue is for rents, refunds, reimbursements, and other miscellaneous payments.

CITY OF COLUMBUS, OHIO
NOTES TO THE CITY AUDITOR'S STATEMENT OF 2022 ESTIMATED AVAILABLE RESOURCES
GENERAL OPERATING FUND

NOTE 10 – TRANSFER IN

Transfers from other funds for 2022 are estimated at \$11 million, including: \$5 million representing 25% sharing by the Special Income Tax fund of job incentive programs to be paid from the City's General Operating Fund; and \$6 million to be transferred from the Reimagine Safety General Fund subfund [1000-100019]. Although not included in the Total Estimated Available Resources for 2022, there is approximately \$66.715 million in other General Fund subfunds that is available for transfer and use in the General Operating Fund, which includes \$60.845 million in the Basic City Services Fund [Fund 1000; Subfund 100017]. If the \$66.715 million is transferred to the General Operating Fund, the Total Estimated Available Resources for 2022 becomes approximately \$1.050 billion.

NOTE 11 – PRIOR YEAR ENCUMBRANCE CANCELLATIONS

Encumbrances which will be carried forward to 2022, but not used, are estimated at \$5 million. These cancellations will increase unencumbered cash in 2022 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 2022 beginning balance was determined using estimates of year-end 2021 revenues and expenses based on year-to-date actual revenues and expenditures through the third quarter of 2021. The City Auditor's Official Revenue Estimate was not revised for the \$14 million in additional revenue estimated at the date of this letter.

The 2022 beginning cash balance was estimated as follows:

General Operating Fund Estimated Beginning Cash Balance	<u>(in thousands)</u>
Beginning Cash Balance - January 1, 2021	\$ 118,840
Less - Outstanding Encumbrances at December 31, 2020	40,580
Unencumbered Cash Balance - January 1, 2021	<u>\$ 78,260</u>
Add City Auditor's Official Revised Estimate dated July 23, 2021	
Add - City Auditor's Estimated 2021 Receipts	\$ 946,026
Add - City Auditor's Estimated Encumbrance Cancellations	5,000
Add - Transfers In	14,000
Total Amount Available for Appropriations	<u>\$ 1,043,286</u>
Add - Estimate of Revenue in Excess of Official Estimate dated July 23, 2021	14,000
Less - 2021 Projected Operating Expenditures per 3rd Quarter Review	1,008,349
Projected Available Cash Balance - December 31, 2021	<u>\$ 48,937</u>