

MEGAN N. KILGORE

City Auditor

DARLENE WILDES, CPA

Deputy City Auditor

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 24, 2023

2024 Official Revenue Estimate

Dear Colleagues:

As we approach 2024, all eyes are on the state of the national economy. Several variables, many of which are beyond the City's control, contribute to the complex foundation of the City's 2024 Official Revenue Estimate. These factors include geopolitical tensions and their consequential effects on the economy, alongside persistent inflation and a longer-than-expected period of elevated interest rates.

While each of these factors are affecting the decisions of our local consumers and businesses, our City is also bolstered by an enviable feature: a steady pace of innovation that is propelling economic growth.

Predicting this pace of innovation is key to predicting our future. We believe the types of investments our local economy has benefitted from — highly skilled human capital, new physical assets, and world-changing ideas — will perpetuate our income tax base's revenue growth and provide stability as we navigate the headwinds of the broader economy.

See the attached NOTES for more detail into these factors forming our Revenue Estimate.

General Fund resources for 2024 are forecasted to be \$1.165 billion, an increase of 1.8% as compared to the 2023 Original Revenue Estimate of \$1.144 billion. We will closely monitor the actual impacts to revenues in the first quarter of 2024 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 24, 2023

2024 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 2024.

ESTIMATED GENERAL OPERATING FUND REVENUE:

Income taxes	\$872,305,000
Property taxes	81,800,000
Investment earnings	41,270,000
Licenses and permits fees	6,684,000
Shared revenue	34,427,000
Charges for services	74,040,000
Fines, forfeitures and penalties	8,020,000
Miscellaneous revenue	5,750,000
TOTAL ESTIMATED RESOURCES FROM REVENUE	\$1,124,296,000
TOTAL TRANSFERS IN	1,400,000
TOTAL ESTIMATED RESOURCES AND TRANSFERS	\$1,125,696,000
Estimated prior year encumbrance cancellations	5,000,000
Estimated 2023 Year End Fund Balance	34,004,000
TOTAL ESTIMATED AVAILABLE RESOURCES GENERAL OPERATING FUND	\$1,164,700,000

UNENCUMBERED CASH AVAILABLE IN OTHER GENERAL FUND SUBFUNDS:

Estimated Unencumbered Cash – JOB GROWTH [100015]	\$1,995,534
Estimated Unencumbered Cash – PUBLIC SAFETY INITIATIVE [100016]	569,514
Estimated Unencumbered Cash – BASIC CITY SERVICES [100017]	49,669,492
Estimated Unencumbered Cash – NEIGHBORHOOD INITIATIVE [100018]	2,741,798
TOTAL ESTIMATED AVAILABLE RESOURCES	\$1,219,676,338

This estimate includes an increase in 2024 income tax revenue of 3% as compared to the anticipated income tax revenue of \$846.9 million for the year ended December 31, 2023.



In addition to the total resources estimated for the General Operating Fund, there is an estimated \$55.0 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 unencumbered balances in these General Fund subfunds were transferred to the General Operating Fund, total estimated available resources would be \$1.220 billion for 2024.

See “Notes to the City Auditor’s Statement of 2024 Estimated Available Resources” for additional information.

CITY OF COLUMBUS, OHIO
NOTES TO THE CITY AUDITOR'S STATEMENT OF 2024 ESTIMATED AVAILABLE RESOURCES
GENERAL OPERATING FUND

NOTE 1 – GENERAL OPERATING FUND RESOURCES

The 2024 General Operating Fund total estimated *revenues* for the City of Columbus (“City”) are approximately \$1.124 billion. The revenue is generated through income tax, property tax, licenses and permit fees, fines, forfeitures and penalties, investment earnings, charges for services, shared revenue, and miscellaneous revenue.

Total 2024 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 31, 2023, are \$1.165 billion.

Total estimated revenues for 2024 increased \$72.9 million or 6.9% as compared to the original estimated revenues for 2023 of \$1.051 billion. Total estimated resources for 2024 represent a \$20.7 million or 1.8% increase as compared to the estimated total resources for 2023 of \$1.144 billion. The table below displays the total amount of estimated revenue attributable to each revenue category for both 2024 and 2023 and the actual revenue collected for 2022.

(\$ in thousands)

Revenue Categories	2022		2023		2024	
	Actual	% to Total	Original Estimate	% to Total	Original Estimate	% to Total
Income Taxes	\$810,429	80.1%	\$831,592	79.1%	\$872,305	77.6%
Property Taxes	60,955	6.0%	63,000	6.0%	81,800	7.3%
License and permit fees	9,036	0.9%	11,016	1.1%	6,684	0.6%
Fines, forfeitures and penalties	8,606	0.9%	7,860	0.8%	8,020	0.8%
Investment earnings	11,625	1.1%	25,310	2.4%	41,270	3.7%
Charges for service	69,385	6.9%	71,350	6.8%	74,040	6.6%
Shared revenue	36,198	3.6%	35,791	3.4%	34,427	3.1%
Miscellaneous revenue	5,998	0.5%	5,500	0.4%	5,750	0.3%
Resources from revenue	\$1,012,232	100.0%	\$1,051,419	100.0%	\$1,124,296	100.0%

NOTE 2 – INCOME TAXES

Income tax revenue represents approximately 77.6% of total General Fund revenues estimated for 2024.

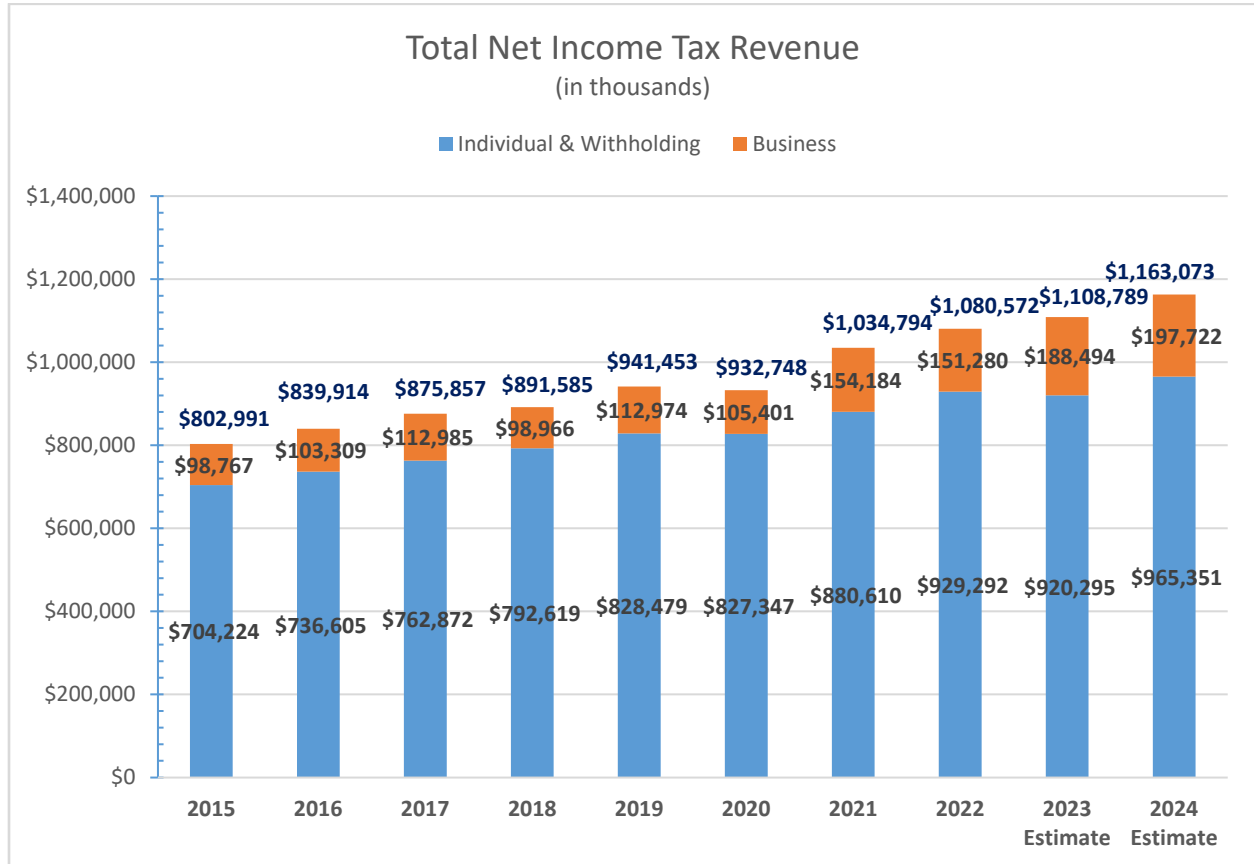
Total income tax revenues for 2024, after providing for taxpayer refunds, are estimated at \$1.163 billion. One fourth of the collections will be deposited into a special fund for the City’s capital program. The

CITY OF COLUMBUS, OHIO

NOTES TO THE CITY AUDITOR'S STATEMENT OF 2024 ESTIMATED AVAILABLE RESOURCES GENERAL OPERATING FUND

remaining three fourths of the collections, approximately \$872.3 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 2024 General Fund income tax revenue was estimated based on projections for employment levels, realized wage inflation, and work-from-home trends. The graph below shows total income tax collections/estimates for a 10-year-period.



National Economy

Only time will tell how many key unknowns including the Federal Open Market Committee's (FOMC) monetary policy decisions, the degree to which our geopolitical uncertainty will affect US markets, and inflation ultimately trickle down to our local economy. At present, forecasts suggest that a start of a recession will likely occur in early 2024, in response to the cumulative FOMC rate increases, spending slowdown, more difficult bank lending standards, and weaker business earnings. However, compared to other peer cities, we anticipate that a recession would look and feel more "shallow" here in Columbus, with limited long-term job losses and business impacts due to multi-sector stability.

CITY OF COLUMBUS, OHIO
NOTES TO THE CITY AUDITOR'S STATEMENT OF 2024 ESTIMATED AVAILABLE RESOURCES
GENERAL OPERATING FUND

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

We continue monitoring remote work trends and the corresponding impacts on income tax collections. The new tax system (CRISP) has now been live for over a year; as such, we are just now able to use real-time trends to understand, for example, where refunds due to remote work are being requested.

As more data is collected, we will be able to make more informative projections as to how remote work is occurring. The heat map to the right depicts the locations where we have seen the most requests for refunds (through September 2023). While there are many reasons for refund requests, we are striving to delineate which of the refunds are resulting purely from remote work.

Darker colors on the heat map mean higher numbers of refunds; lighter colors mean fewer. This map provides a useful representation of employees who likely previously worked in Columbus but are now working from their home residence.

In terms of revenue impacts, while we have seen income tax revenue declines resulting from remote work, such declines have been offset by wage inflation and growth in new jobs.

We are also benefitting from the number of professionals who have chosen to work remotely in the City of Columbus. We anticipate that this, coupled with continued job growth among key employers (e.g. our hospital systems, OSU's Innovation District) will continue to drive net gains.

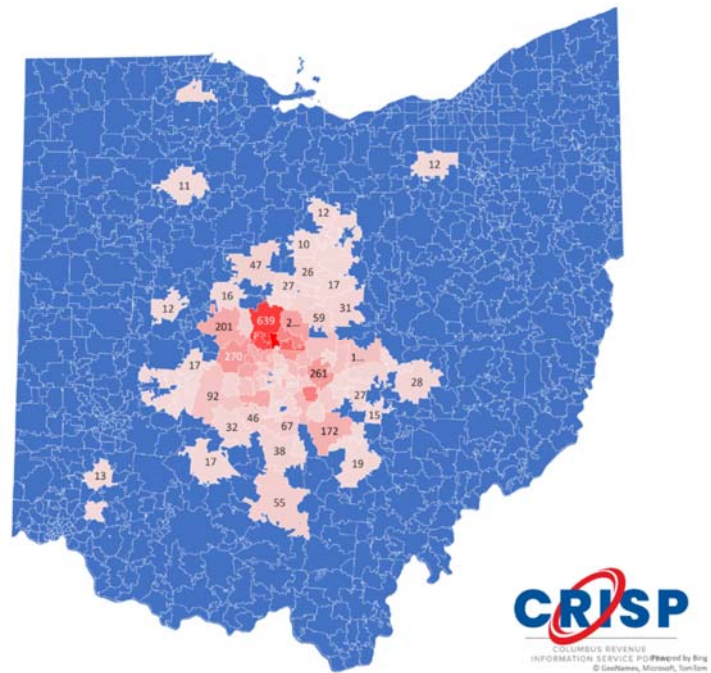
Local Employment Trends

Job growth has accelerated as we are nearing the end of 2023, improving on what we anticipated to be a slower 4Q. The likelihood of higher-for-longer interest rates in the first half of 2024 could limit certain sectors within Columbus (e.g. real estate), but overall, we anticipate steady growth in other sectors (technology, biotech, and innovative sciences) to keep pushing the larger economy forward.

These sectors have proven to be a virtuous cycle. Even as companies closed segments or downsized staff this year, employees remained in the driver's seat, with job openings largely out-pacing available workers.

We continue to see investments in multiple sectors and expect growth in jobs — both on-site and remote — to occur concurrently through 2024.

A four-year analysis of jobs, by North American Industry Classification System (NAICS) code designation, and their respective +/- changes is below. Also presented is the Ohio wage growth through the third quarter of 2023, as compared to the first quarter of 2020.



CITY OF COLUMBUS, OHIO
NOTES TO THE CITY AUDITOR'S STATEMENT OF 2024 ESTIMATED AVAILABLE RESOURCES
GENERAL OPERATING FUND

NAICS	NAICS US Title	2019 Columbus City jobs data	2020 Columbus City - BLS Average	% Change	2021 Columbus City - BLS Average	% Change	2022 Columbus City - BLS Average	% Change	2023 Columbus City - BLS Average	% Change	WAGE GROWTH Ohio Earnings Change from 2020 Q1
11	Agriculture, Forestry, Fishing and Hunting	263	N/A		N/A		N/A		N/A		N/A
21	Mining, Quarrying, and Oil and Gas Extraction	262	N/A		N/A		N/A		N/A		N/A
22	Utilities	2,693	2,687	-0.2%	2,693	0.2%	2,558	-5.0%	2,613	2.2%	11.6%
23	Construction	23,180	23,915	3.2%	24,537	2.6%	25,441	3.7%	27,533	8.2%	19.7%
31-33	Manufacturing	26,062	24,960	-4.2%	25,564	2.4%	26,346	3.1%	26,346	0.0%	10.5%
42	Wholesale Trade	18,723	17,880	-4.5%	18,146	1.5%	18,324	1.0%	18,191	-0.7%	22.3%
44-45	Retail Trade	47,719	45,735	-4.2%	47,199	3.2%	48,050	1.8%	47,105	-2.0%	21.9%
48-49	Transportation and Warehousing	30,307	34,865	15.0%	38,436	10.2%	42,195	9.8%	41,678	-1.2%	30.1%
51	Information	9,799	8,785	-10.3%	8,898	1.3%	10,250	15.2%	10,081	-1.6%	27.5%
52	Finance and Insurance	33,640	33,072	-1.7%	32,930	-0.4%	32,315	-1.9%	31,984	-1.0%	15.7%
53	Real Estate and Rental and Leasing	11,021	10,668	-3.2%	11,304	6.0%	11,939	5.6%	11,657	-2.4%	34.3%
54	Professional, Scientific, and Technical Services	34,880	34,775	-0.3%	35,880	3.2%	38,615	7.6%	41,404	7.2%	30.6%
55	Management of Companies and Enterprises	14,202	13,905	-2.1%	14,314	2.9%	14,425	0.8%	14,239	-1.3%	3.2%
56	Administrative and Support and Waste Management and Remediation Services	34,836	32,170	-7.7%	33,345	3.7%	34,881	4.6%	32,306	-7.4%	31.5%
61	Educational Services	11,431	10,253	-10.3%	10,547	2.9%	10,370	-1.7%	10,783	4.0%	9.6%
62	Health Care and Social Assistance	92,718	88,981	-4.0%	91,043	2.3%	91,880	0.9%	91,687	-0.2%	16.7%
71	Arts, Entertainment, and Recreation	8,278	6,474	-21.8%	7,004	8.2%	8,119	15.9%	8,437	3.9%	9.8%
72	Accommodation and Food Services	47,789	39,764	-16.8%	43,336	9.0%	46,753	7.9%	48,100	2.9%	21.7%
81	Other Services (except Public Administration)	24,887	22,168	-10.9%	23,586	6.4%	24,828	5.3%	25,951	4.5%	11.0%
90	Government	107,103	103,652	-3.2%	103,359	-0.3%	105,348	1.9%	107,161	1.7%	9.5%
99	Unclassified	31	N/A		N/A		-		-		
		579,824	554,707	-4.3%	572,122	3.1%	592,639	3.6%	597,256	0.8%	

Source: BLS; 2023 data through July

Income Tax Refunds Due to Remote Work in 2020

On June 7, 2022, the Ohio Supreme Court did accept for review the jurisdictional appeal in another case, *Schaad v. Alder*, Case No. 2022-0316, one of the Buckeye Institute’s four other municipal cases challenging Ohio’s pandemic-based policies. The issues in the *Schaad* case share some of the same questions presented in the Buckeye Institute v. Kilgore, et. al. case. In *Schaad v. Alder*, the Ohio Supreme Court will consider whether taxpayers can claim refunds for municipal income taxes paid during calendar 2020 to their employers’ principal place of work municipality, as opposed to the municipality of their home office or residence. Currently, the outcome of this case only applies to income taxes paid in 2020; the Ohio General Assembly has already taken action to allow employees to seek refunds for the days they worked from home in 2021. The Eighth District Court of Appeals stayed a case pending before it pending the decision by the Ohio Supreme Court in *Schaad*. Oral argument in the *Schaad* case was heard by the Ohio Supreme Court on March 1, 2023. It is not known at this time when the Ohio Supreme Court may issue their decision.

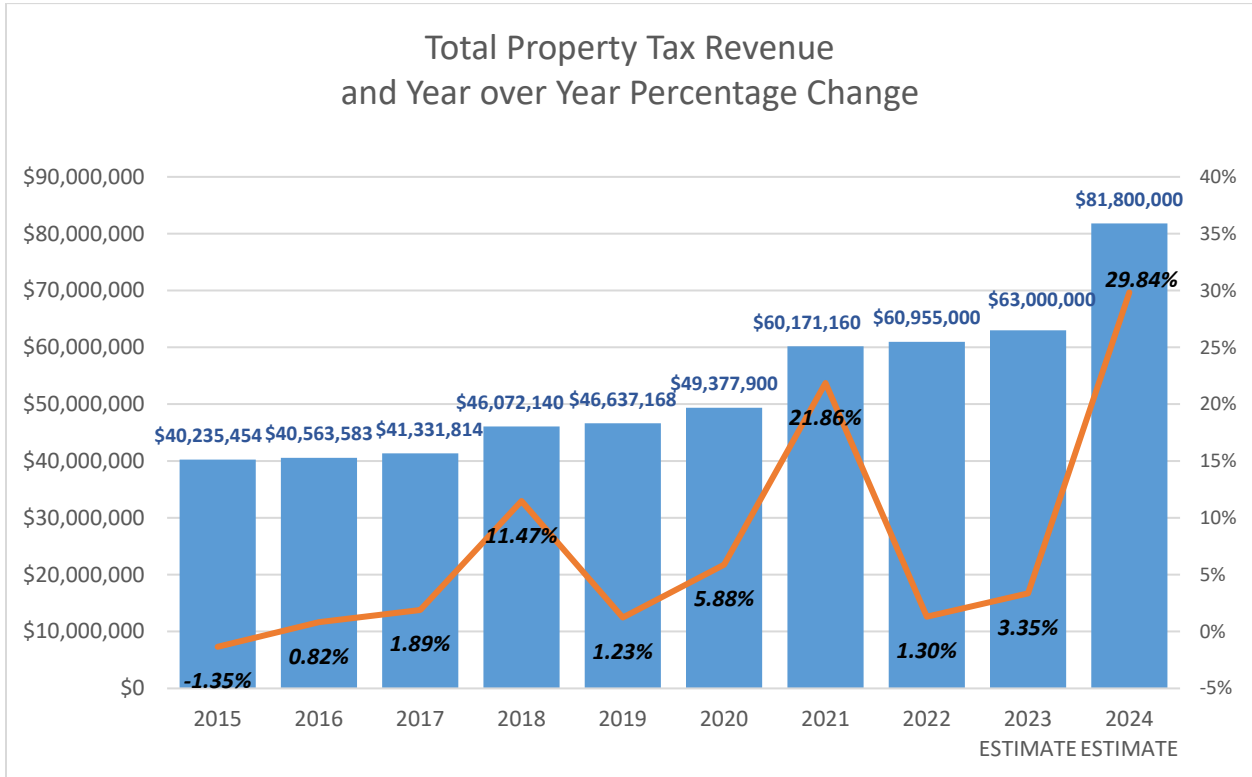
NOTE 3 – PROPERTY TAXES

The City’s share of taxes collected in 2024 attributable to real properties is estimated at \$81.8 million, net of an estimated \$2.2 million retained by the counties and the State for costs and fees. 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, with triennial appraisals occurring every third year. The sexennial revaluation in Franklin County was completed in 2023; the last triennial occurred in 2020. 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

CITY OF COLUMBUS, OHIO
NOTES TO THE CITY AUDITOR'S STATEMENT OF 2024 ESTIMATED AVAILABLE RESOURCES
GENERAL OPERATING FUND

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 2023 assessed values for property tax amounts to be collected in 2024 will be available in December 2023. The graph below shows total property tax revenue and the year-over-year percentage change for a 10 year period.



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 \$41.3 million will be posted as revenue to the General Fund in 2024. The 2024 estimate for investment earnings is a significant increase over the 2023 revised estimate because of rising interest rates.

NOTE 5 – LICENSES AND PERMIT FEES

Licenses and permit fees are estimated at \$6.7 million, which is a decrease of \$4.3 million or 39.3% over the 2023 estimate. The majority of this revenue, \$6.1 million, is from cable permits. The decline in revenue is primarily due to two factors: 1) diminishing usage of traditional cable TV; and 2) a change to alarm billing policy.

CITY OF COLUMBUS, OHIO

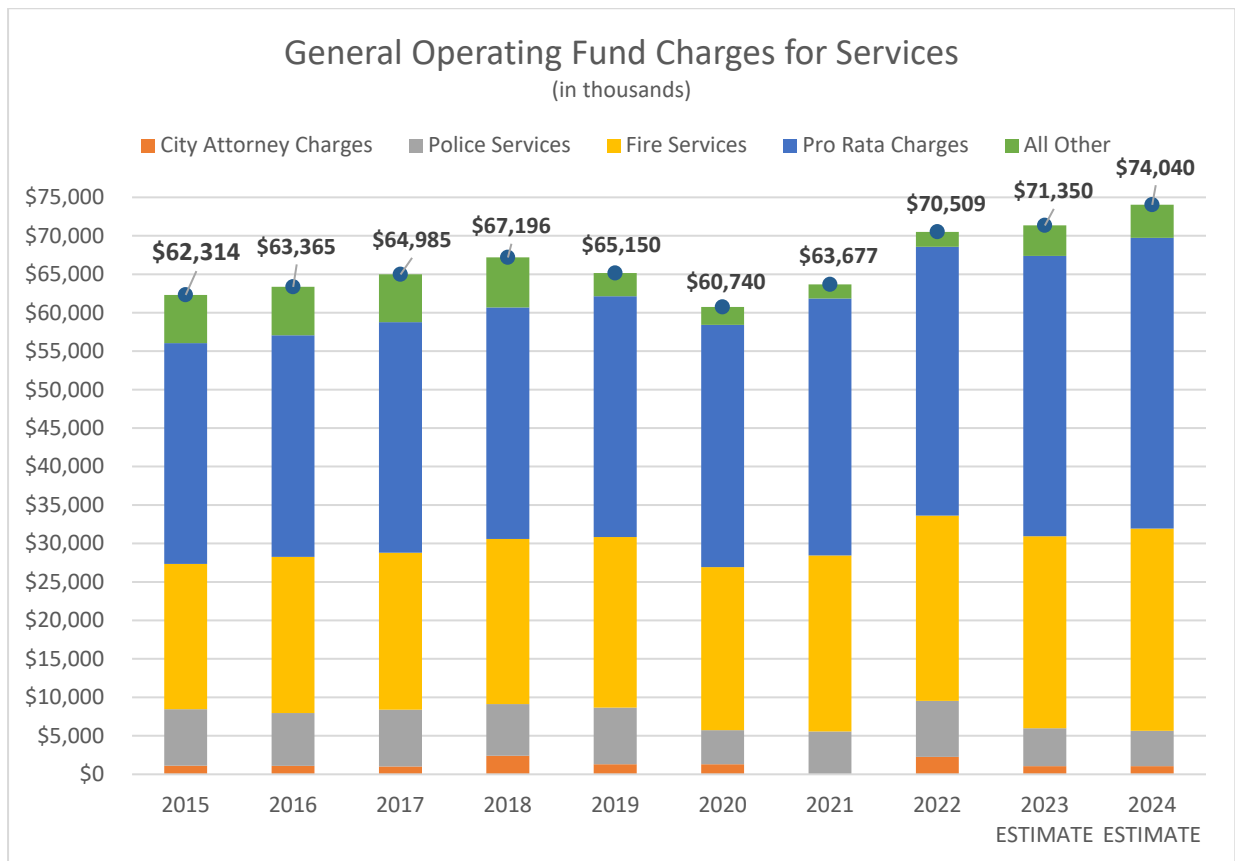
NOTES TO THE CITY AUDITOR'S STATEMENT OF 2024 ESTIMATED AVAILABLE RESOURCES
GENERAL OPERATING FUND

NOTE 6 – SHARED REVENUE

Shared revenue sources are estimated at \$34.4 million for 2024. Shared revenues include portions of the various State taxes which are shared with local governments. It is estimated that these shared taxes will provide \$26.2 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 \$13.0 million. The City has entered into various agreements funded with Casino taxes. For 2024, it is estimated that \$8.2 million in Casino taxes will remain in the General Fund.

NOTE 7 – CHARGES FOR SERVICES

Charges for services in 2024 are estimated at \$74.0 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 which are allocated to other funds of the City. Ordinance 3200-2021 calls for an assessment rate of 4.5% of revenues of the funds assessed, resulting in revenue to the General Operating Fund estimated at \$37.8 million for 2024. The Fire Services estimate of \$26.3 million includes Fire Emergency Medical Services Billing for fees related to emergency medical transportation services of \$21.5 million for 2024. Special Police services include auto impound fees, policing special community and other events and is estimated to generate revenue of \$4.6 million in 2024. 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 2024 ESTIMATED AVAILABLE RESOURCES
GENERAL OPERATING FUND

NOTE 8 – FINES, FORFEITURES AND PENALTIES

Revenue from fines, forfeitures and penalties consists primarily of court costs. Court costs resulting from operations of the Franklin County Municipal Court should produce approximately \$8.0 million in 2024.

NOTE 9 – MISCELLANEOUS REVENUES

Miscellaneous revenues are estimated at \$5.8 million for 2024. 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 2024 is estimated at \$3.4 million. The remaining \$2.4 million estimated in miscellaneous revenue is for rents, refunds, reimbursements, and other miscellaneous payments.

NOTE 10 – TRANSFERS IN

Transfers from other funds for 2024 are estimated at \$1.4 million, which is the amount to be transferred from the Reimagine Safety General Fund subfund [1000-100019]. Although not included in the Total Estimated Available Resources for 2024, there is approximately \$55.0 million in other General Fund subfunds that is available for transfer and use in the General Operating Fund, which includes \$49.7 million in the Basic City Services Fund [1000-100017]. If the \$55.0 million is transferred to the General Operating Fund, the Total Estimated Available Resources for 2024 becomes approximately \$1.220 billion.

NOTE 11 – PRIOR YEAR ENCUMBRANCE CANCELLATIONS

Encumbrances which will be carried forward to 2024, but not used, are estimated at \$5.0 million. These cancellations will increase unencumbered cash in 2024 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.

CITY OF COLUMBUS, OHIO
NOTES TO THE CITY AUDITOR'S STATEMENT OF 2024 ESTIMATED AVAILABLE RESOURCES
GENERAL OPERATING FUND

NOTE 12 – ESTIMATED AVAILABLE BEGINNING BALANCE

The estimated available 2024 beginning balance was determined using estimates of year-end 2023 revenues and expenses based on year-to-date actual revenues and expenditures through the third quarter of 2023.

The 2024 beginning cash balance was estimated as follows:

	(in thousands)
General Operating Fund Estimated Beginning Cash Balance	
Beginning Cash Balance - January 1, 2023	\$ 179,160
Less - Outstanding Encumbrances at December 31, 2022	79,138
Unencumbered Cash Balance - January 1, 2023	\$ 100,022
Add City Auditor's Official Revised Estimate dated January 1, 2023	-
Add - City Auditor's Estimated 2023 Receipts	\$ 1,051,419
Add - City Auditor's Estimated Encumbrance Cancellations	5,000
Add - Transfers In	6,500
Total Amount Available for Appropriations	\$ 1,162,941
Add - Estimate of Revenue in Excess of Official Estimate dated Jan 2023	10,000
Less - 2023 Projected Expenditures	1,138,938
Projected Available Cash Balance - December 31, 2023	\$ 34,004