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OFFICE OF MEGAN N. KILGORE,  
CITY AUDITOR

# AUDITOR'S BRIEFING

**April 2, 2020**

# Agenda

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1. Brief Update re: Auditor's Office initiatives
2. Income Tax –
  - New tax filing date of July 15<sup>th</sup>
  - How will the City be affected?
3. Economic Update
  - (**External**) -- Columbus economy
  - (**Internal**) – City of Columbus municipal finances to date and expectations

# Auditor's Office - Updates

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- Accounting & Operations – all invoices are being paid
- 2019 CAFR is available! (published within 90 days again)
  - <https://www.columbus.gov/auditor/cafr/>
- Payroll update
- Systems Update:
  - Income Tax
  - Payroll
  - D365

## Since Emergency:

- **5,500 invoices have been paid, while maintaining social distancing**
- **+\$27 million to local economy**
- **3,000 payments were refunds to residents for the closed Rec Centers**

# Income Tax Changes

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## **Income Tax – H.B. 197 Deadline Extension**

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- **What changed:**
  - Filing of individual and net profit 2019 annual returns
  - Filing of individual and net profit 2020 first and second quarter estimated payments
  - Subject to IRS updates and discretion of Tax Commissioner
- **What did not change:**
  - Employer withholding deadlines
  - Deadlines for excise taxes (Hotel/Motel and STR Lodging Tax, Admissions Tax)
- **How it changed:**
  - Temporary language, not a revision to Ohio Revised Code
  - Taxpayer automatically receives the extension at city level
  - No need to revise City Code

## **Income Tax – *Deadline Extension Impact to Revenue***

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- **What portion of revenue could be delayed until July?**
  - 2019: 5.05% of net income tax revenue came in through April individual/net profit filings
  - 2018: 4.92%
- **Withholding tax revenue NOT impacted by date shift**
  - 82.9% of 2019 net income tax revenue came from withholding revenue
  - Deadlines **do not** change

## **Income Tax – H.B. 197 Employer Withholding**

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- **What changed:**
  - Withholding for employees working from home or another location due to declaration will still go to Columbus even if the employee does so for more than 20 days
- **What did not change:**
  - Anything before the declaration or after the 30 day period following the expiration of the declaration
  - Employer withholding deposit deadlines (semi-monthly, monthly, or quarterly depending on withholding amounts)
    - 2019: 82.9% of total income tax revenue
- **How it changed:**
  - Temporary language, not a revision to Ohio Revised Code
  - No need to change City Code

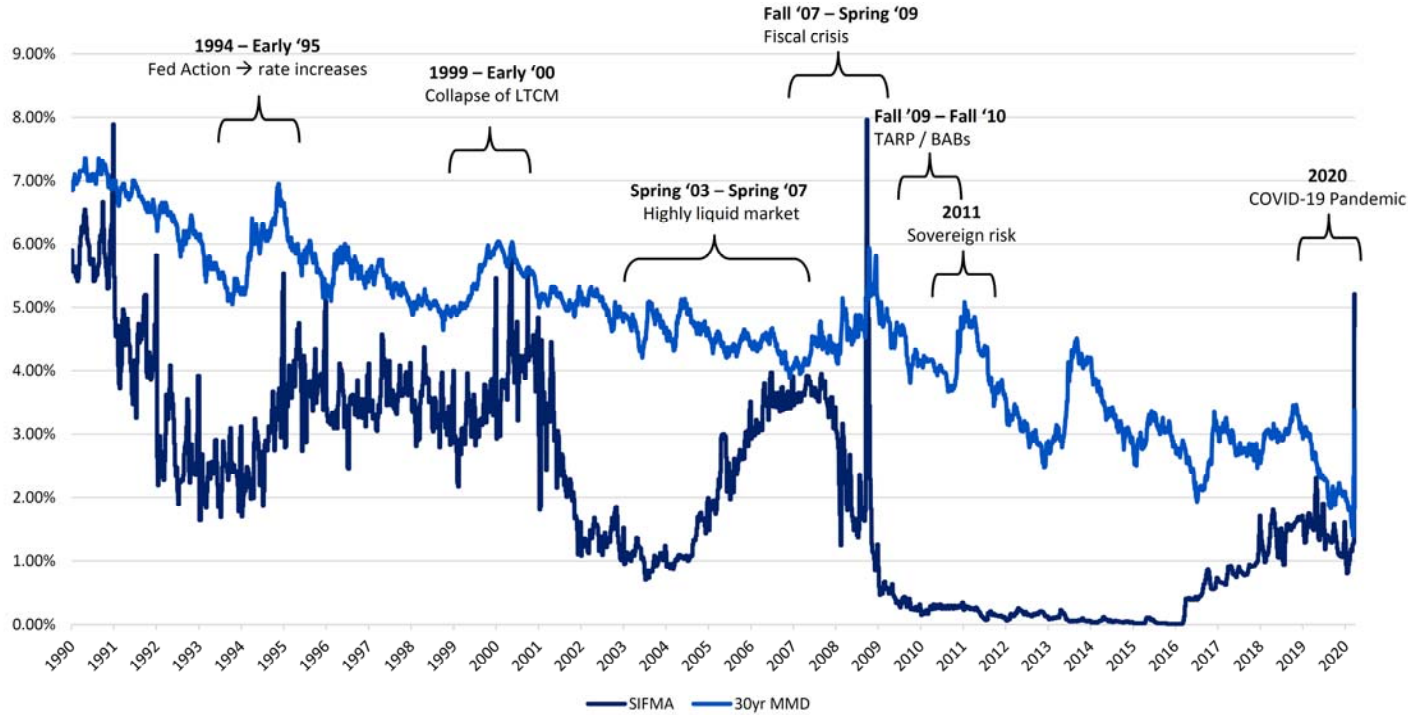
# Economic Overview

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# Are we entering a national recession?

## Market Overview Historical SIFMA and 30yr MMD



Sources: BofA Securities Internal Data as of 3/27/2020

## Recessionary trends, cont.

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- **Moody's Investors Service** (*"Coronavirus Roils the Municipal Market,"* 3/31/2020)
  - Business activity will likely fall sharply across advanced economies in the first half of 2020.
  - For 2020 as a whole, Moody's predicts US growth of (2)%
- **Goldman Sachs**
  - US GDP growth expectations for Q1 and Q2 of (9)% and (34)% respectively, followed by a subsequent rally of +19% and +12% in Q3 and Q4 respectively, leaving full year 2020 growth at (6)%
- **JPMorgan**
  - "US economics: Outlook unknowable, but certainly bad"

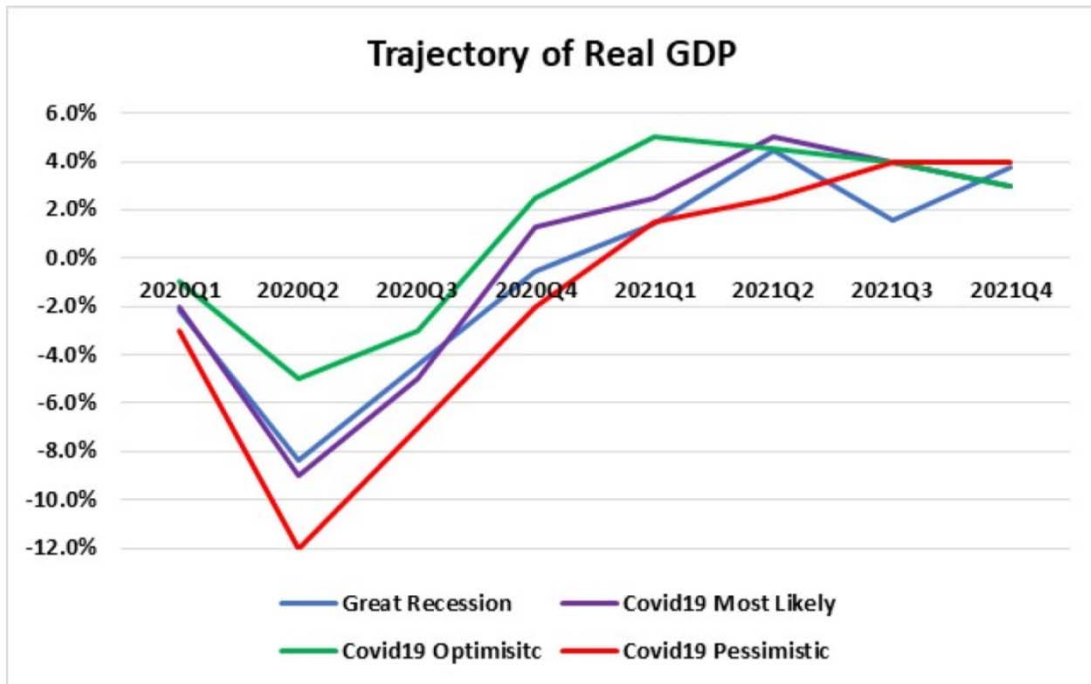
### State of Ohio:

- DeWine asking directors to make up to 20% budget cuts;
- hiring freeze for non-essential positions;
- travel freeze;
- freeze on contracting services

# Recessionary trends, cont.



## Impact of Covid19 Compared to Great Recessions



## COVID19 NATIONAL IMPACT SCENARIOS

### • Most likely

- Aggressive measures begin 1st week of April
- 632k infections with peak mid-June
- Economy begins slow reopen early September

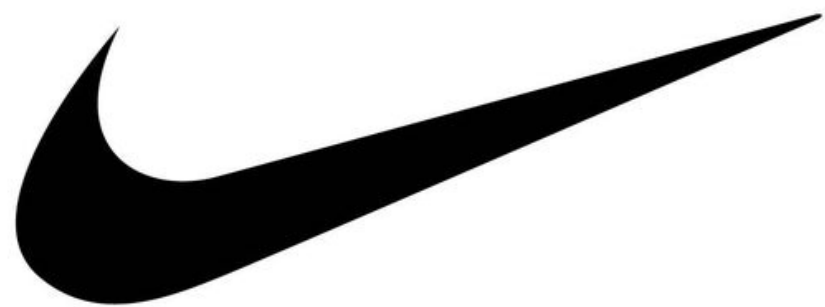
### • Optimistic

- Aggressive steps began 3-23-20
- 558k infections with peak mid-June
- Economy begins slowly reopen mid-August

### • Pessimistic

- Modest steps remain in place
- 3.1 million infections with peak mid-July
- Economy begins slowly reopen mid to late October

Sources: Atkeson, Andrew (March 2020), "What will be the Economic Impact of Covid19 on the U.S.", NBER <https://www.nber.org/papers/w26867> and <https://www.nytimes.com/interactive/2020/03/13/opinion/coronavirus-trump-response.html> and PFM



# Continued Expansion of SMB Enablement Ecosystem

## Public Companies in 2008-09 and Today

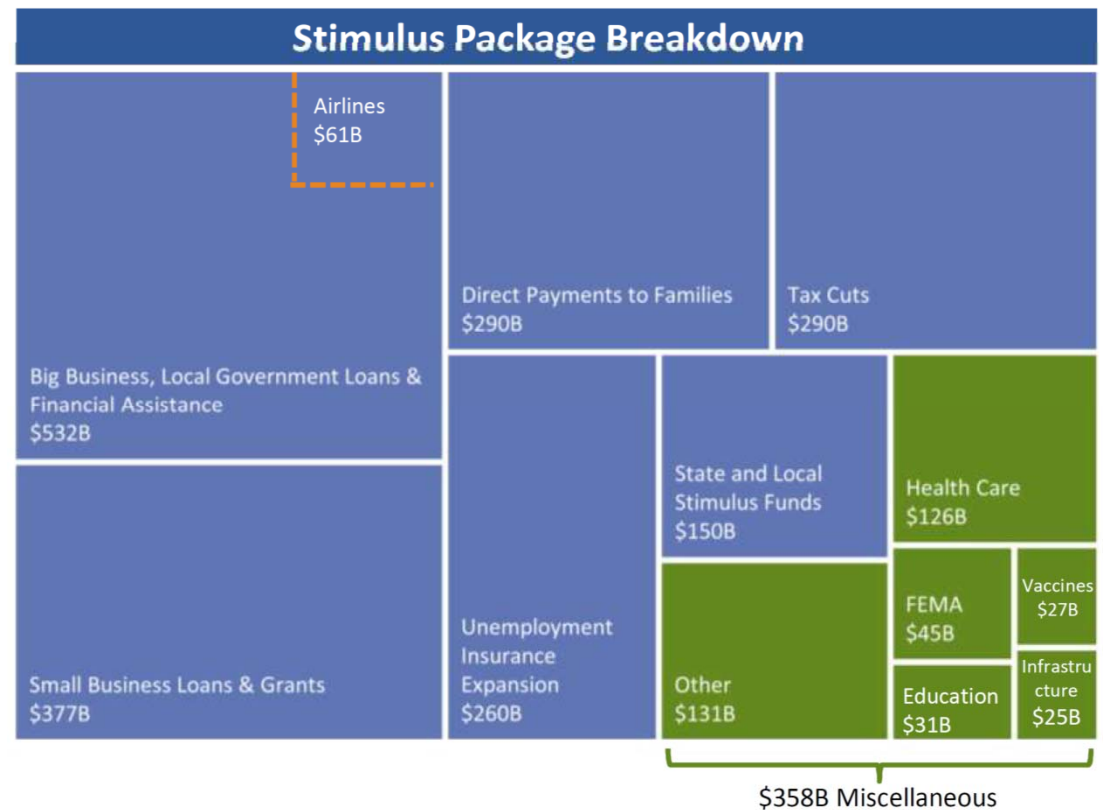
Broader SMB ecosystem has greater flexibility and resiliency built in compared to 2008-2009 due to cost efficient and powerful tech-enabled tools widely available to SMBs, allowing them to operate with a capital light, flexible business model

	Computing	Ecommerce / Online Presence	Payments	Marketing / Advertising	Customer Support	Workflow / Collaboration	Fulfillment	Security
2008-2009	   	  		      		    		  
2020 (Additional Players in SMB Enablement)	  	       	 	             	  	 <small>Tax compliance done right</small>       	   	   

## CARES Act, SB 3548 – Relief and Stimulus Legislation

- The \$2 trillion relief package includes financial support aimed to stabilize the financial markets, including municipal issuance
- The bill aimed to improve liquidity in the financial markets and soften the impact of an economic slowdown.
- \$475 billion is directed to state and local governments.
- The package has authorized up to \$500 billion for the Federal Reserve to support loans and provide assistance to public and private sector borrowers.
- The package extended unemployment insurance and increased benefits by up to \$600 per week.
- The bill also provides a one-time stimulus of \$1,200 for individuals.

STIFEL

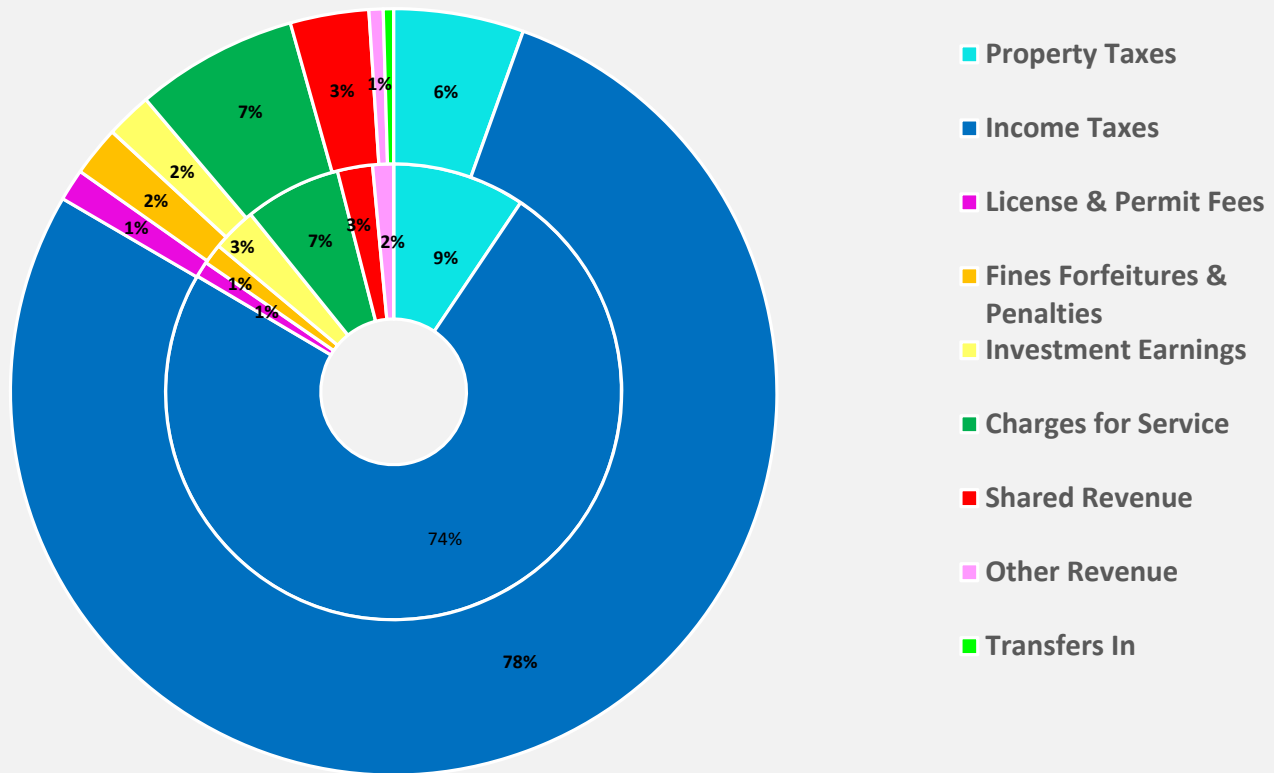


# City of Columbus Financial Update

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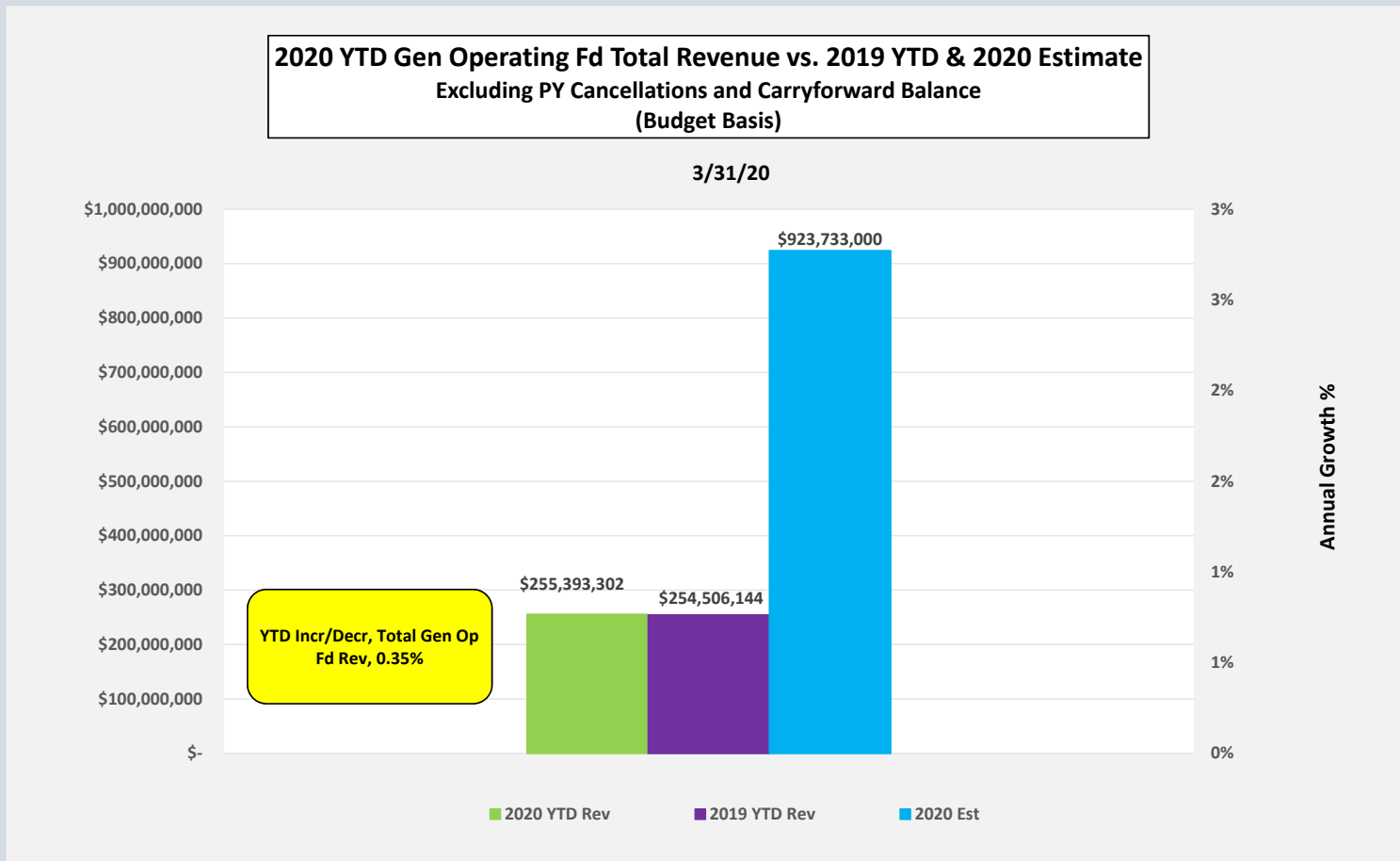
# Revenue Dashboards @ 3/31/2020 – Revenue Estimate

General Operating Fund Rev Categories (Budget Basis):  
Outer Ring: 2020 Rev Estimate; Inner Ring: 2020 Actual YTD Rev



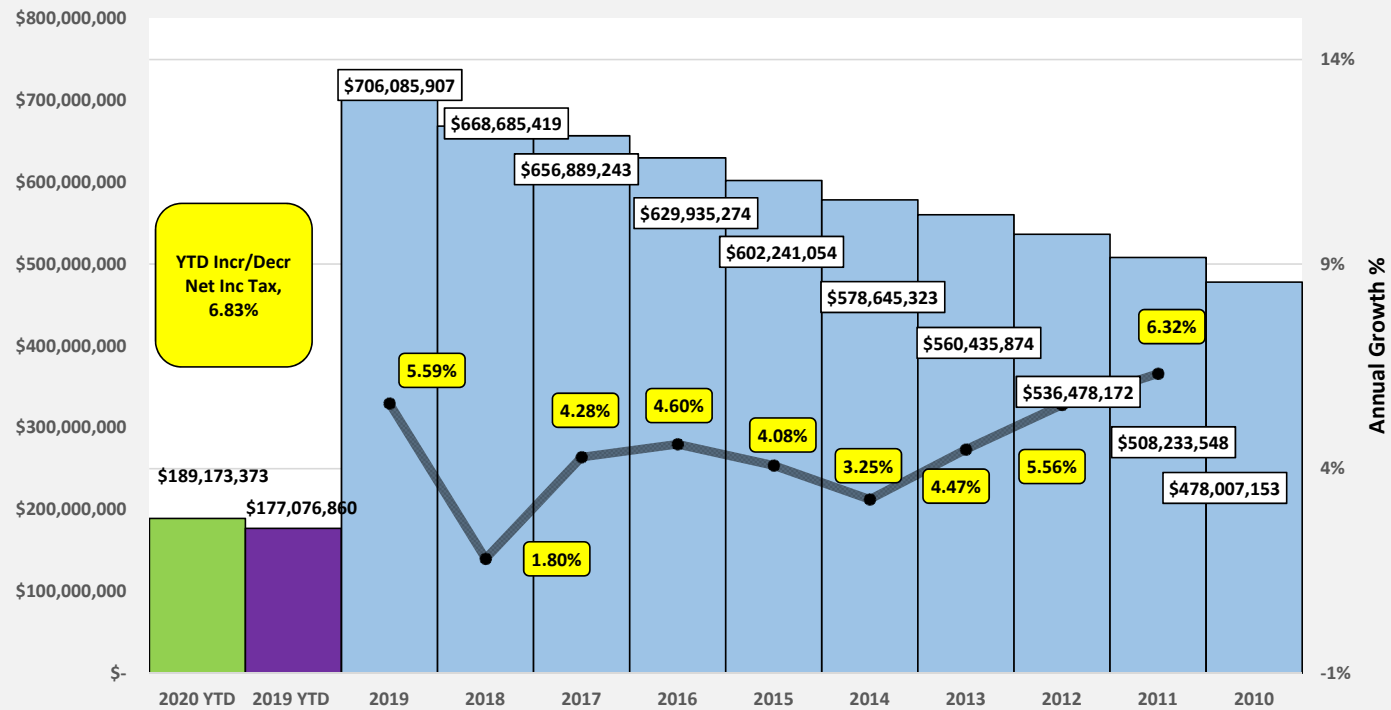


# Revenue Dashboards @ 3/31/2020 – Total GF Revenues

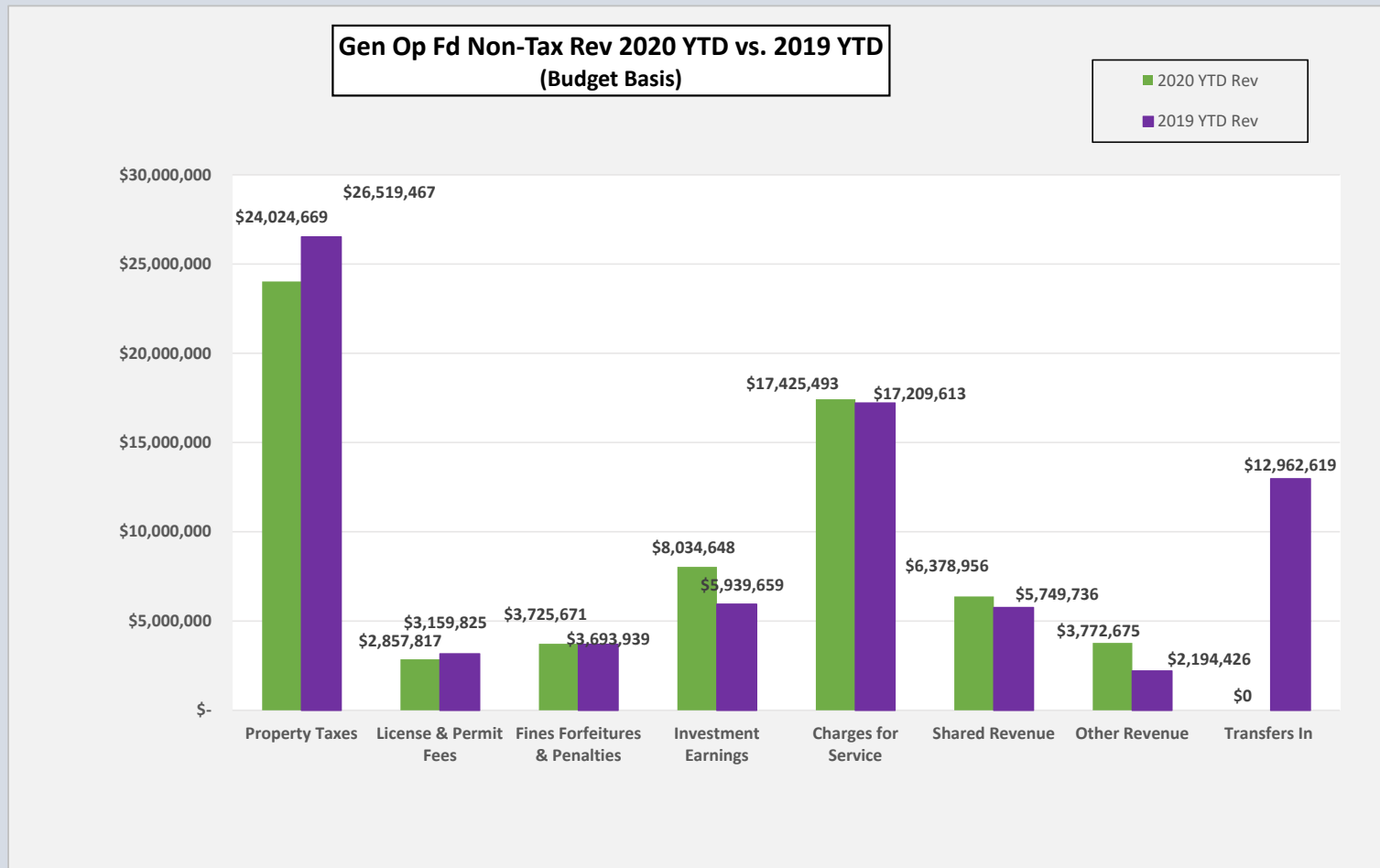


# Revenue Dashboards @ 3/31/2020 – Income Tax

Gen Fd Net Inc Tax Rev 2020 YTD vs. 2019 YTD + 10 Year History  
(Budget Basis)



# Revenue Dashboards @ 3/31/2020 – Non-Income Tax Revenues



## **Moody's: Most Vulnerable Industries**

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Workers in the following five Census-designated industries are the most at risk in terms of job security during COVID-19:

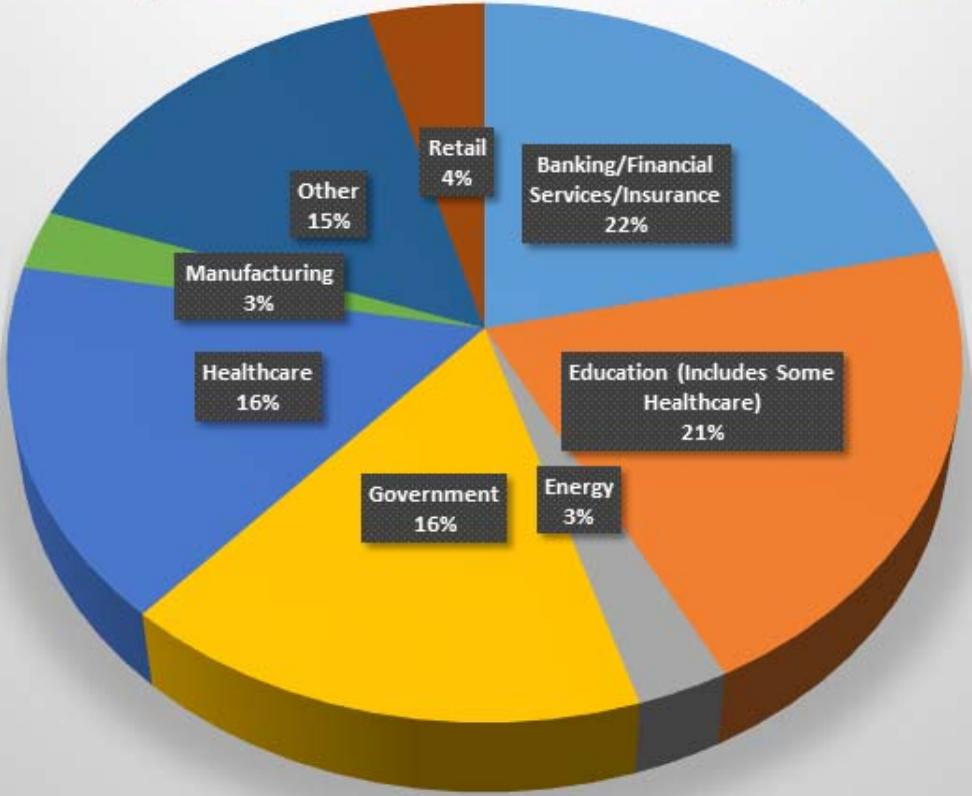
- Mining, Quarrying, and Oil and Gas Extraction
- Transportation and Warehousing
- Administrative and Support and Waste Management and Remediation Services
- Arts, Entertainment, and Recreation
- Accommodation and Food Services

# “Most Vulnerable Industries” in Columbus

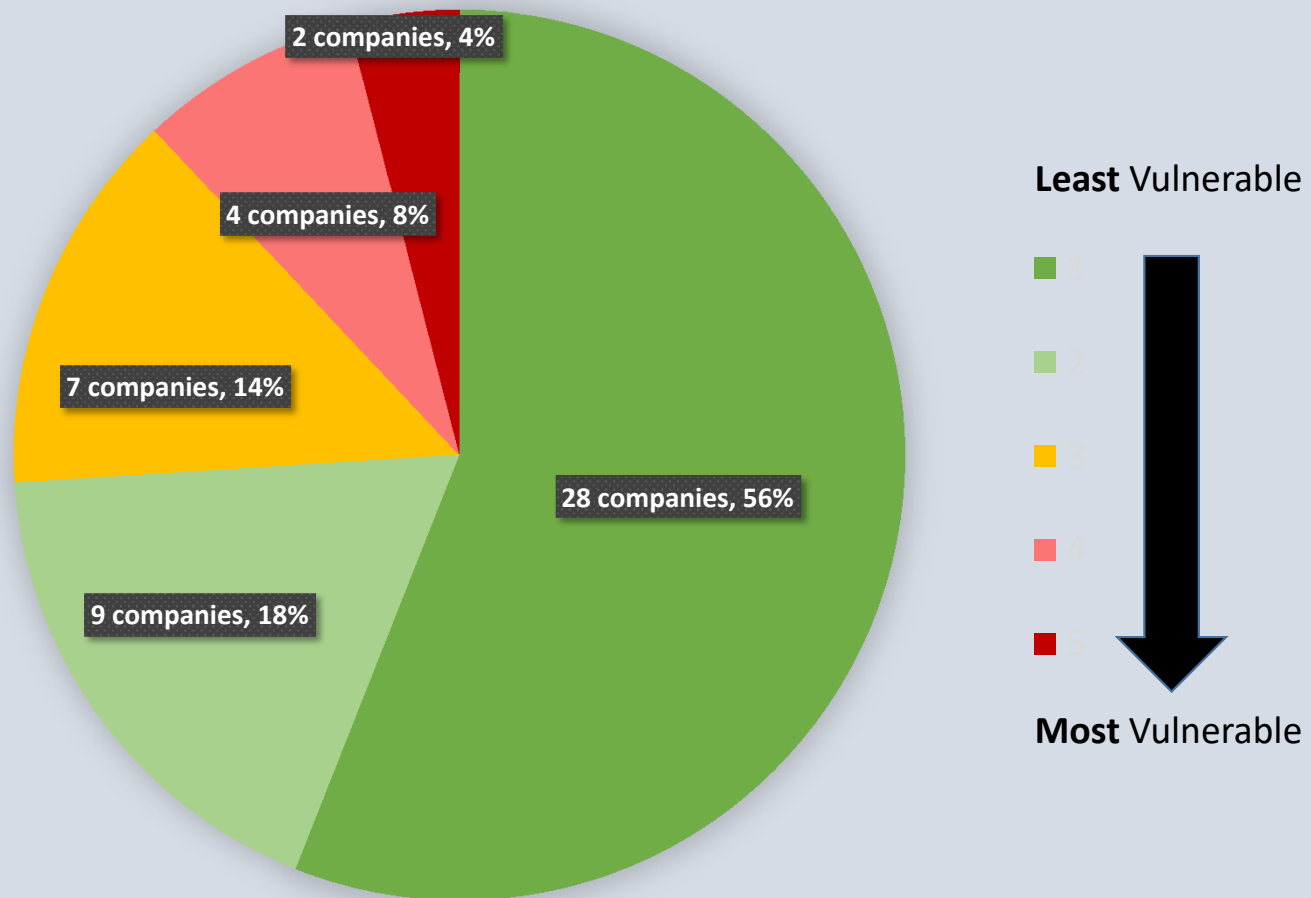
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Occupation	Jobs
Mining, Quarrying, and Oil and Gas Extraction	282
Transportation and Warehousing	30,266
Administrative and Support and Waste Management and Remediation Services	36,772
Arts, Entertainment, and Recreation	8,546
Accommodation and Food Services	48,990

**Top 100 Income Tax Withholding Accounts - 2019**  
Represents 50% of Total 2019 Withholding Revenue



## 2019 Top 50 Employer Health Check-ups – through April 2, 2020



# Key Unknowns

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There are **three key variables**, any of which could negatively impact income tax revenues in the 2Q and beyond:

1. **Spread** of the virus
2. **Duration**/length of impact
3. How **consumer fear** will affect economic behavior



# On Watch

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- Tourism and visitor-related revenue (the FCCFA, hotel/motel taxes, short term rentals);
- Labor market forecasts including unemployment insurance filings, non-farm payrolls, and unemployment rate;
- How travel bans are limiting economic activity;
- Admissions taxes;
- The scope of local hospitals' and the City's coronavirus spending;
- Impact of current and any future Federal actions, including stimulus options or industry-specific support; and
- Effects of market volatility on our investments and statewide pension systems.

# Recap

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1. Forecasting will change every week due to spread, duration, and consumer behavior.
2. Today:
  - We have robust fund balances in place: income tax is up 6.83% YOY; all-in revenues are up 0.35% YOY. Strong balances in Basic City Services (\$20 million) and Rainy Day Fund (\$80 million).
  - We are able to absorb short-term levels of fiscal distress without immediate effects on fiscal quality. This is largely due to our recent lengthy period of economic expansion.
  - The City maintains budgetary cost-cutting flexibility (e.g. limit nonessential expenditures).
3. Our key employers are still “at work.” They may be working differently (i.e. at home), but they are still producing, paying salaries, etc.
4. The Auditor’s Office is performing regular “Top Employer” health check-ups. As we learn of staffing changes (furloughs, layoffs), we will adjust revenue forecasts.
5. Strong data sharing collaboration exists with John Glenn College, One Columbus, and Chamber.

# Ending Thoughts and Q&A

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