

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
From: Megan Kilgore, City Auditor
Date: March 18, 2020
Subject: The Impact of Coronavirus on Columbus' Economy

Dear Colleagues:

Knowledge is power in times of uncertainty. I want to share where we are....

It is impossible to forecast, with any degree of certainty, the specifics as to how COVID-19's impact will play out in our economy. However, I do know this – the likely scenarios for the Columbus economy are not good and will require federal, state, and local stimulation to rebuild businesses' balance sheets and turn things around for our most vulnerable workers. Compounding any forecasting are the questions around spread, duration, and how fear will alter consumer behavior. Financial outlooks will change as a result of definitive guidance on the rapidity of COVID-19's spread.

The impact of COVID-19 needs to be assessed from both a "top-down" and a "bottom-up" approach. From the top-down, it is evident that the existing spread of the virus will reduce GDP through at least the 2Q, both globally and in the U.S., and we anticipate declines in discretionary spending (e.g. restaurant spending, consumer purchases), shocks in the financial markets, and a dampening within our most affected industries.

From the bottom-up, the COVID-19 epidemic will impact every sector of the Columbus economy with closed businesses, school closures, travel disruptions, empty restaurants, and canceled events, conferences, and tourism. Already, small businesses and hourly workers are facing economic crisis because of this viral pandemic.

We're working two angles right now to provide answers relevant to Columbus. First, we're analyzing the impacts to-date and triaging our industries and employees most at-risk. Over the next few days, we'll start releasing dashboards that will help you, our businesses, and our social service agencies make more informed decisions. Second, we're making recommendations for action, specifically looking at Federal stimulus options, the use of relief funds for small business, local banks' lending plans for small business working capital, and fee mitigation/delayed payment options.

Stay tuned for more data releases. If we act deliberately, we can minimize the harmful economic impacts of COVID-19 and maintain/restore health to our Columbus economy.



Megan N. Kilgore
City Auditor



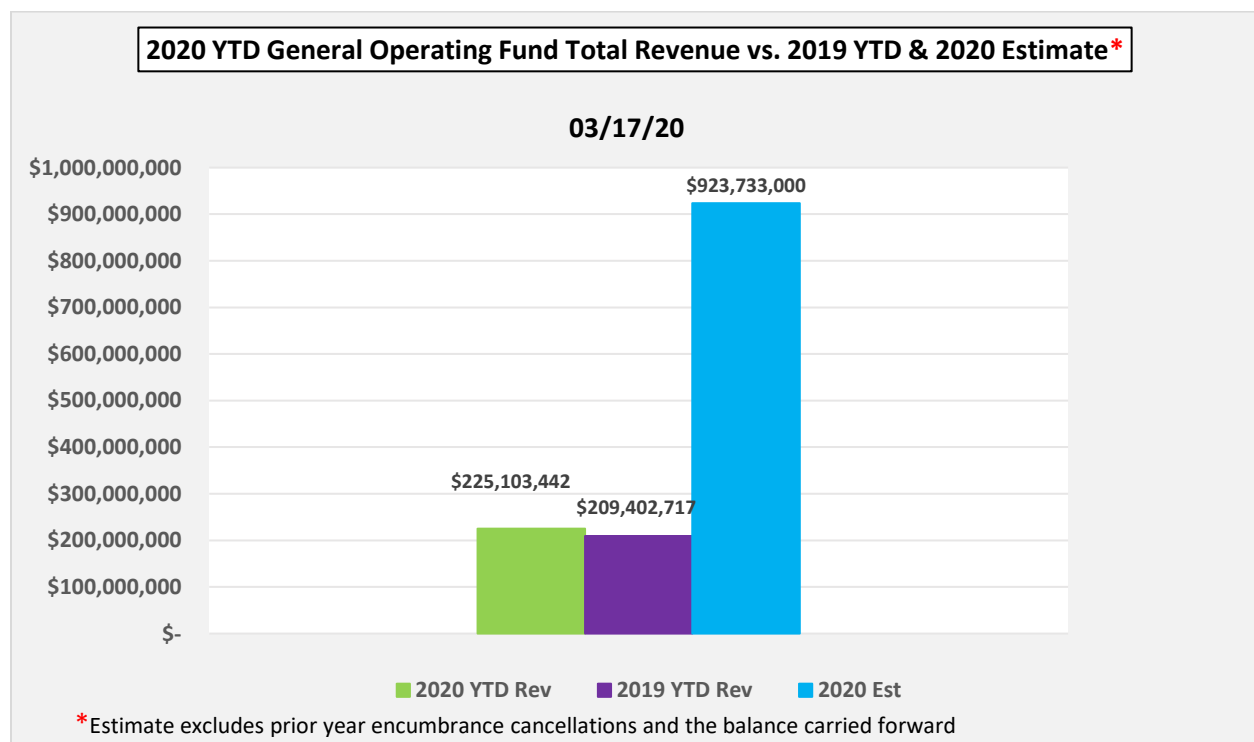
Revenue Update

I am not forecasting any immediate consequences to City revenues in the near-term. **These are the key principles of our present economic health:**

- We have robust fund balances in place.
- Our key employers are still “at work.” They may be working differently (i.e. at home), but they are still producing, paying salaries, etc.
- The City maintains budgetary cost-cutting flexibility (e.g. limit nonessential expenditures).
- We are able to absorb short-term levels of fiscal distress without immediate effects on credit quality. This is largely due to our recent lengthy period of economic expansion.

Revenue Dashboards as of March 17, 2020

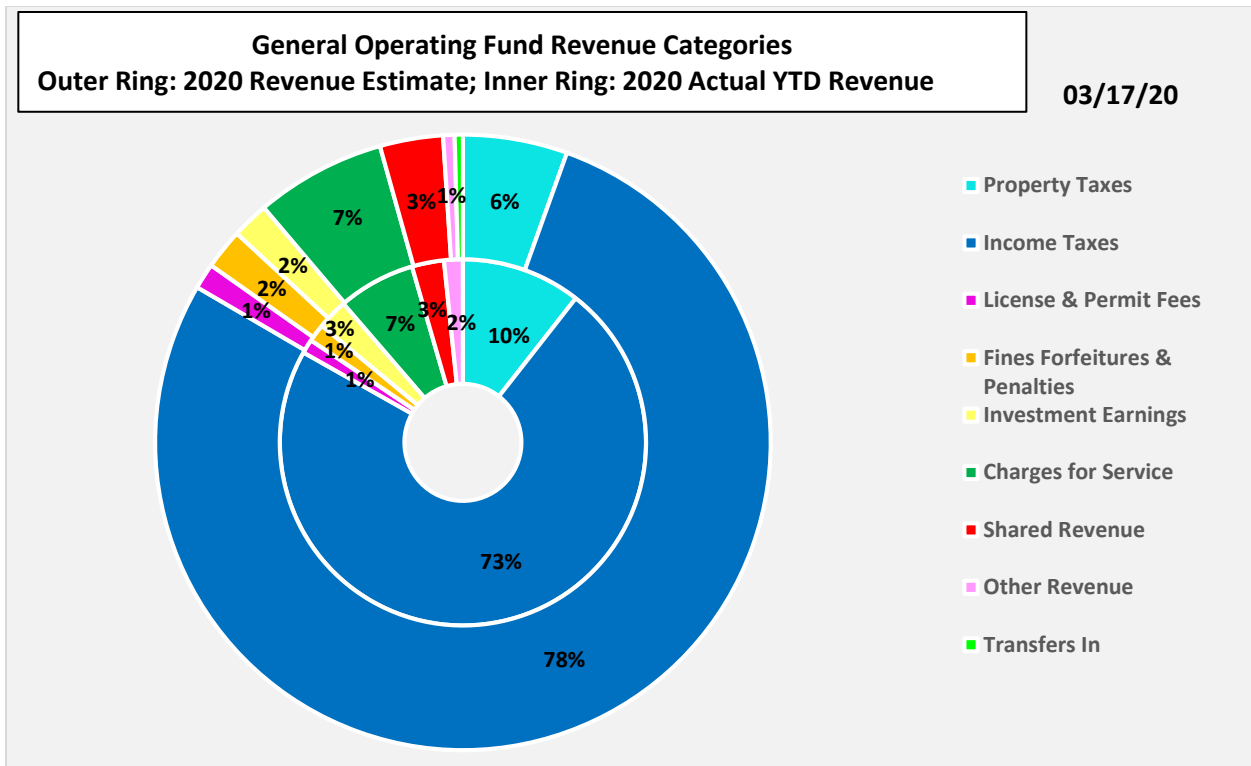
Chart 1: All General Fund Revenue



Explanation: Chart 1 shows all General Fund revenue for 2020 year-to-date in comparison to 2019 year-to-date. The total revenue estimate (\$923,733,000) is also shown, just to give you an idea of where we stand during the year.

Insights: 2020 year-to-date General Fund revenues are trending about 3-4% growth over this time last year. This is mild growth, but does give us some buffer as we navigate these next few weeks. As a caveat, income tax collection dates can provide significant spikes in growth percentages; with our 3-4% growth estimate, we have sought to normalize those spikes.

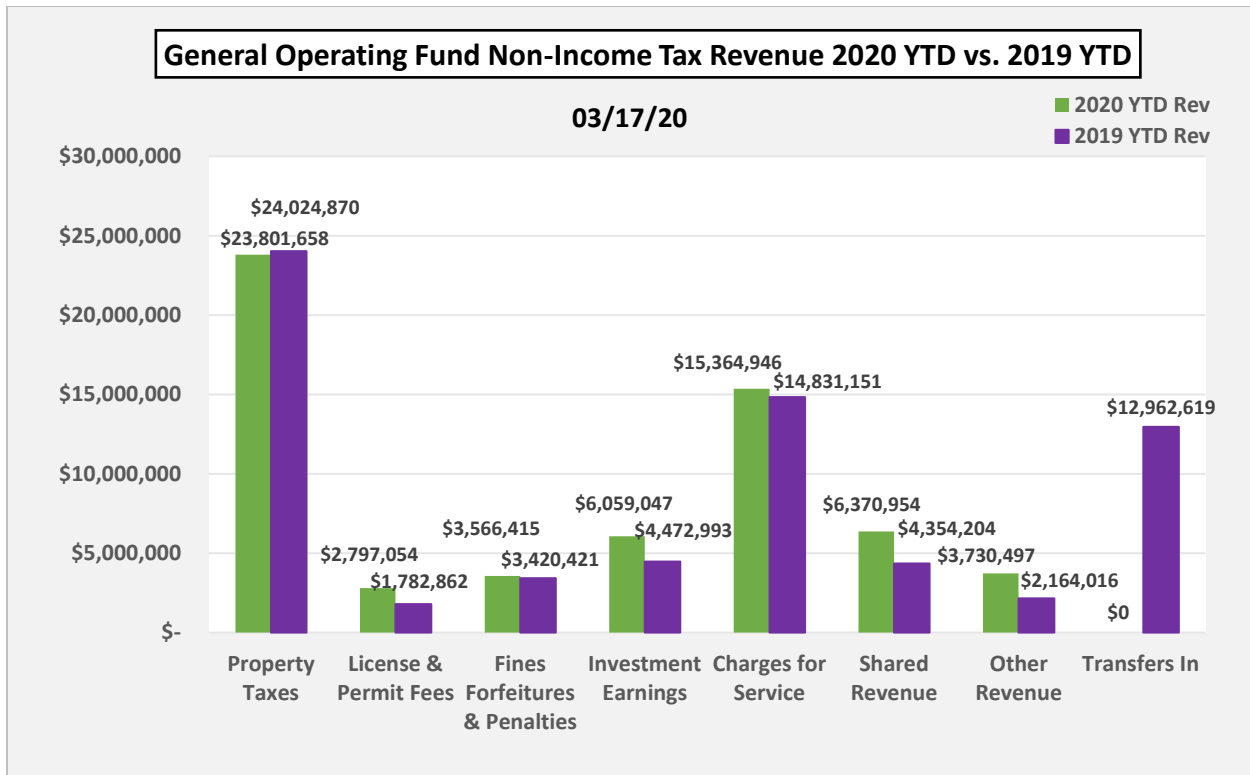
Chart 2: All General Fund Revenue by Category



Explanation: The outer ring of this chart is our 2020 revenue estimate. The inside ring is how we're performing year-to-date.

Insights: Revenues are performing as expected. The purpose of this chart is to illustrate our material reliance on income tax and the relatively de minimis nature of the ancillary revenues.

Chart 3: General Fund Revenue – Excluding Income Tax



Explanation: This chart shows each of the City’s revenues, with the exception of income tax. Note from the above chart that each of the revenues are relatively small in terms of percentage.

Insights:

Revenue	Percent of 2020 Revenue Estimate	Expectation
Property Taxes	6%	Remain flat; may experience some delinquencies
License & Permit Fees	1%	Will likely decline, but buffer in place due to higher than expected collections year-to-date
Fines, Forfeitures, and Penalties	2%	Will be affected by City decisions to reduce/waive
Investment Earnings	2%	Steady; revenue estimate factored in only fixed income from planned maturities
Charges for Services	7%	Remain flat
Shared Revenue	3%	To be determined by State action

What Could Change

We are keeping our eyes on **three key variables**, any of which could negatively impact income tax revenues in the 2Q and 3Q of 2020.

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

In addition to income tax performance, we are also watching the following:

- Tourism and visitor-related revenue (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 the City's government coronavirus spending;
- Federal actions, including stimulus options or industry-specific support; and
- Effects of market volatility on our investments and statewide pension systems.