



*Interdepartmental
Correspondence Sheet*

TO: Mayor and Members of City Council

August 5, 2020

FROM: Paula Boggs Muething, Interim City Manager

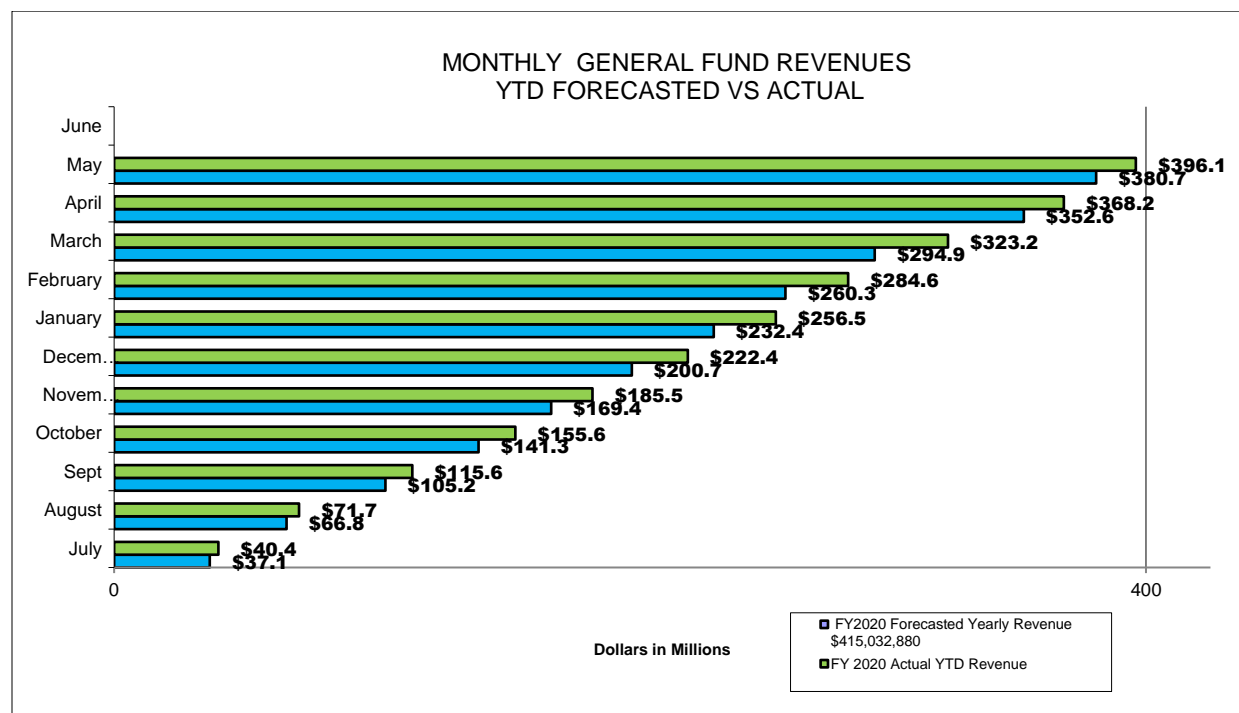
SUBJECT: Department of Finance Reports for the Month Ended May 31, 2020

**MAY 2020
MONTHLY FINANCIAL REPORTS**

The following report provides an update on the City of Cincinnati's financial condition as of the month ending May 31, 2020. Variances are based on current year estimates and prior year activity in attached schedules. The revenues reported in this month's report reflect the effects of the COVID-19 pandemic. With stores, bars, restaurants, conventions, hotel cancellations and other economic activity closed through April and operating a limited capacity in May, the City's local tax revenue has declined, and continued decline is expected for the remainder of the fiscal year.

A more detailed explanation of revenues and expenditures is attached for review, including reports comparing current year actual revenue vs. forecasted revenue and prior year actual revenue vs. current year actual revenue. Both of those reports are presented on a monthly and year to date basis.

The chart below portrays the performance of actual General Fund revenue collected against the forecasted revenue collected through May 31, 2020 and shows that actual General Fund revenues of \$396.1 million were above forecasted revenues of \$380.7 million by \$15.4 million.



The major revenue components of the General Fund are listed in the table below. This table highlights the year to date variance (favorable and unfavorable) in General Fund revenue collections as compared to forecasted revenue collections. Each major category that differs significantly from forecasted collections will be discussed in further detail.

GENERAL FUND REVENUE SOURCES		
	FAVORABLE VARIANCE	(UNFAVORABLE) VARIANCE
General Property Tax	\$714,671	
City Income Tax	\$14,436,185	
Admission Tax		(\$587,840)
Short Term Rental Excise Tax		(\$257,683)
Licenses & Permits	\$1,169,148	
Fines, Forfeitures, & Penalties		(\$1,291,915)
Investment Income	\$834,231	
Local Government		(442,902)
Casino	\$300,028	
Police		(\$359,370)
Buildings and Inspections	\$652,664	
Fire	\$596,449	
Parking Meter		(\$1,044,580)
Other	\$661,899	
	<hr/>	<hr/>
	\$19,365,275	(\$3,984,291)
Difference	\$15,380,984	

General Fund (favorable variance) is \$15.4 million above the amount forecasted through May in the FY2020 budget. What follows is an explanation of significant variances of individual General Fund revenue components.

General Property Tax (favorable variance) is \$715K. The City received the final settlement for FY2020 in April. Revenue is slightly higher than projected as a result of slightly higher assessed property values utilized by the County Auditor.

City Income Tax (favorable variance) is \$14.4 million above the forecasted amount. City Income Tax revenue still exceeds projections due to higher than expected collections in the first half of FY2020. The income tax component represents 70% of the total General Fund percentage and is expected to meet the annual projection for the fiscal year.

Short Term Rental Excise Tax (unfavorable variance) is down \$258K. The Short Term Rental Program began on October 1, 2019. The number of properties registered for the program is short of projections. It is anticipated that the revenue projections will not be met this fiscal year.

License & Permits (favorable variance) are up \$1.2 million. The favorable variance is the result of several large projects currently under construction that were permitted earlier in the fiscal year.

Fines, Forfeitures & Penalties (unfavorable variance) are down \$1.3 million. Parking fine collections, which is the major driver of this negative variance, are below estimate due to reduced enforcement and less economic activity. This trend is expected to continue for the remainder of the 4th quarter.

Investment Income (favorable variance) is up \$834K. The favorable variance is due to higher than

anticipated interest rates during the year and it is anticipated that investment income will exceed the revenue projections for the fiscal year. Investment income is recognized quarterly in September, December, March and June of each fiscal year.

Local Government (unfavorable variance) is down \$443K. This unfavorable variance is the result of decreased revenue collection from the State of Ohio General Revenue tax sources.

Casino (favorable variance) is up \$300K. Payments are received July, October, January and April of each fiscal year. All FY2020 payments have been received resulting in this positive variance for the fiscal year.

Police (unfavorable variance) is down \$359K. This revenue variance is unfavorable because bills for alarm fines are not being sent and off-duty details have been cancelled due to the pandemic. This has resulted in less alarm fine revenue and a reduced amount of detail charges collected.

Buildings and Inspections (favorable variance) are up \$653K. This variance is due to an increase in permits early in the fiscal year. Revenue may be less than projected due to the impact of the COVID-19 pandemic for the remainder of the fiscal year but is expected to be above the estimate for the year.

Fire (favorable variance) is up \$596K. Emergency Medical Services (EMS) revenue exceeds the budget for the fiscal year as the result of a new billing vendor which utilized a more comprehensive billing process.

Parking Meter (unfavorable variance) is down \$1 million due to unanticipated closures, delays of the implementation of the valet program and the COVID-19 pandemic. In addition, transfers from the Restricted Fund to the General Fund have not occurred resulting in the negative variance.

Other (favorable variance) is up \$662K. This category is made up of many small sources of revenue that fluctuate from time to time. Finance will continue to monitor these various revenue sources.

Restricted Funds:

Water Works Fund (favorable variance) is up \$1.1 million. Metered water revenue was over projections from November through early March. Toward the end of March, the revenue started to decline and is not expected to meet projections in the 4th quarter. This shortage is offset by the renewal of several billing contracts which resulted in revenues higher than budget as well as investment income was higher than budget through the 3rd quarter. The department is confident that the current positive variance will be enough to offset any shortfall in metered water revenue for the remainder of the year and allow the fund to end the year at or above budget.

Duke Energy Convention Center (favorable variance) is up \$263K. The Duke Energy Center budgets according to bookings that occur annually or are known at the time the budget is prepared. As the year progresses, additional events are booked and account for the favorable variance. This favorable variance will be used to offset the bookings that have been cancelled for the remainder of the fiscal year due to the COVID-19 pandemic.

Parking Meter (unfavorable variance) is down \$604K. The unfavorable variance increased since last month due to less enforcement and reduced economic activity as a result of the COVID-19 pandemic. The annual revenue is not anticipated to meet projections by the fiscal year end.

Stormwater Management (unfavorable variance) is down \$500K. The fund is below the estimate through May primarily due to the COVID-19 shutdowns of businesses and a dramatic increase in unemployment which has resulted in a decrease/delay in revenue.

Recreation Special (favorable variance) is up \$655K. Cincinnati Recreation Commission has seen positive revenue numbers this fiscal year to date due to the timing of lagged recognition of revenues. This

positive variance will be used to offset lost revenue due to the cancellation of recreation center programs as a result of the pandemic.

CAGIS (unfavorable variance) is down \$592K. The unfavorable variance is due to the continued timing of billing and receipt of revenue. The department carefully watches the fund expenses to ensure they do not exceed revenues in a given fiscal year.

CLEAR (unfavorable variance) is down \$1.8 million. The department monitors the fund to ensure that expenditures do not exceed revenue in the fiscal year.

Submitted herewith are the following Department of Finance reports:

1. Comparative Statement of Revenue and Expenditures (Actual, Forecast and Prior Year) as of May 31, 2020.
2. Graph as of May 31, 2020 presenting the General Fund's Revenue, Expenditures and Encumbrances.
3. Audit of the City Treasurer's Report for the month ended April 30, 2020
4. Statement of Balances Analysis as of May 31, 2020.
5. Statement of Balances in the various funds as of May 31, 2020.

By approval of this report, City Council appropriates the revenues received in the various restricted funds on the attached Statement of Balances and as stated in greater detail on the records maintained by the Department of Finance, Division of Accounts & Audits. Such revenues are to be expended in accordance with the purposes for which the funds were established.

c: Christopher A. Bigham, Assistant City Manager
Karen Alder, Finance Director