

City of Upper Arlington **2018 FINANCIAL REPORT**

Popular Annual Financial Report for the Year Ended December 31, 2018



City of **Upper Arlington**[®]

A large, light-colored stone sign with a dark plaque in the center. The plaque has the text "UPPER ARLINGTON" in large, gold, serif capital letters, and "FOUNDED 1918" in smaller, gold, serif capital letters below it. The sign is surrounded by green grass and purple flowers.

UPPER ARLINGTON FOUNDED 1918

A MESSAGE FROM THE FINANCE DIRECTOR



The reasons residents choose to live in Upper Arlington are varied, but they often revolve around the City's quality of life, beautiful neighborhoods, a strong sense of community, convenient location, first-rate schools and excellent City safety services. These positive attributes are the result of many years of community commitment and visioning, combined with solid financial planning from your local government entities.

Members of the Finance Department are pleased to present the 14th Popular Annual Financial Report for the fiscal year ended December 31, 2018. The City of Upper Arlington was officially organized on February 8, 1941 and is a home-rule, municipal corporation organized under the laws of the State of Ohio. This report is intended to present an accessible overview of the City's financial position and policies, and its commitment to providing responsive services and programs in a fiscally responsible manner.

Inside this publication, we share details of how the City's revenue is generated, where dollars are spent, and how the local economy impacts Upper Arlington's overall financial status. Above all, our goal is to provide you an opportunity to better understand the many financial aspects that affect your local government.

The financial annual report information provided here is drawn from detailed information found within the 2018 Comprehensive Annual Financial Report (CAFR). The financial statements appearing in the comprehensive document were prepared in conformance with Generally Accepted Accounting Principles (GAAP) and audited by an independent auditing

firm, receiving an unmodified (or clean) opinion. The numbers contained within the CAFR were obtained by employing the basis of accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). In short, the highest standards of accounting principles have been utilized to ensure full financial disclosure and accountability. Recognition of this commitment is evidenced by the City attaining the Certificate of Achievement for Excellence in Financial Reporting for 31 consecutive years from the Government Finance Officer's Association for its CAFR document.

While the numbers in this Popular Annual Financial Report come from an audited source, they are presented in an abridged, un-audited, non-GAAP format and do not include the City's discreetly presented component unit, the Community Improvement Corporation. Citizens who wish to review audited GAAP-basis financial statements can refer to the City's 2018 CAFR, which is available from the Finance Department, local libraries, and online at upperarlingtonoh.gov.

Members of the Finance Department and staff across the organization are proud to serve this community. We hope the 2018 Popular Annual Financial Report serves its purpose and helps assure you that every effort is made to manage the community's tax dollars wisely for the benefit of all. Please enjoy this view of your City's financial health.

A stylized, handwritten signature in black ink, consisting of a large, flowing 'B' followed by a series of loops and a final flourish.

Brent Lewis,
Finance Director

TRIPLE A RATINGS

In 2018, and for the 10th consecutive time, the City retained the highest possible financial ratings from two national ratings agencies: AAA from S&P Global, and Aaa from Moody's Investors Service. This accomplishment speaks to the City's exceptional fiscal policies and financial oversight, and translates to significant interest rate savings when the City issues bonds to support capital projects.

UPPER ARLINGTON AT A GLANCE...

The City of Upper Arlington is a first-ring, primarily residential suburb of Columbus, Ohio. Founded in 1918, and just under 10 square miles in size, Upper Arlington is called home by more than 34,000 residents, often with multiple generations of the same family to be found in close proximity to each other. They value its strong sense of tradition and community, excellent school system, beautiful neighborhoods with mature street trees and the many exceptional safety and City services that are provided.

Over the decades, the community has often been a leader in setting the standard for quality of life expectations. The City boasts an extensive and well-used network of community parks with a rich variety of active and passive recreational opportunities. Community gatherings and celebrations are the standard, not the exception here, including a resident-driven Fourth of July parade and festival, the region's premier one-day arts festival on Labor Day, summer concerts and more.

UPPER ARLINGTON PROFILE



Population



Bachelor's Degree



Household Income



Median Age



UNEMPLOYMENT DATA

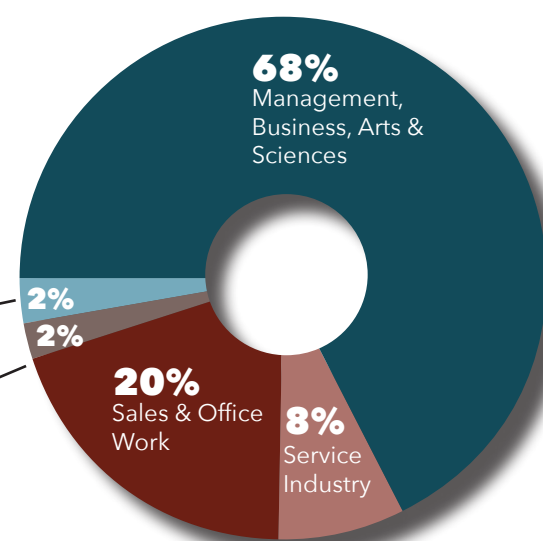
The local unemployment rate was **3.8%** in 2018, compared to a State rate of 4.6%.



HOUSING DATA

In 2018, 27 new homes were built with an average value of \$930,000. 650 building permits were approved for a total value of \$78 million. Overall, 3,427 permits (including zoning, electric, HVAC, plumbing, etc.) were approved for a total construction value of \$100.7 million dollars. The median home value in Upper Arlington is **\$357,200** with an 80.4% owner occupancy rate.

PREDOMINANT OCCUPATIONS



Ranked top 100 **BEST SUBURBS TO LIVE IN AMERICA** and **4th BEST SUBURB FOR YOUNG PROFESSIONALS IN OHIO** by niche.com in 2019.

Ranked **20th SAFEST CITY IN OHIO** by safewise.com in 2019.

Ranked **14th BEST HIGH SCHOOL IN OHIO** by usnews.com in 2019.

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REVENUE HIGHLIGHTS

GOVERNMENTAL FUNDS 2018 REVENUES BY SOURCE

As a governmental entity, the City uses fund accounting, or self-balancing sets of accounts segregated for specific activities. Governmental funds are used to account for tax-supported activities and the other revenues it needs in order to provide services to the community from a variety of sources. The table below presents a three-year summary of governmental revenues by primary type in order to present a picture of typical revenues from year to year.

Income and property taxes account for approximately 73% of total Governmental Fund revenues. Therefore, it is important to the City that these two revenue sources continue to grow each year to support City operations. During 2018, income tax

revenues accounted for approximately 70% of the City's revenue growth as a result of a proactive economic development program and growth in the local economy. On the other hand, property tax revenues saw a decrease during 2018. However, this decrease shouldn't be looked at negatively because it was directly related to an expiring tax levy associated with a specific debt issuance (as the debt payment decreases, the amount of property tax collected decreases). Once the revenues from the debt-related property tax levies are excluded, property tax revenues remained stable when compared to 2017.

The remaining 30% of the growth in revenues during 2018 can be attributed to many factors, including increases in participation and fees, governmental revenue sharing, and investment earnings.

Investment Earnings

Revenues earned by investing any available City Funds throughout the year.

Other

Includes reimbursements, local grants, rents/leases, fines/forfeitures, cable TV franchises, special assessments and other miscellaneous receipts.

Licenses and Permits

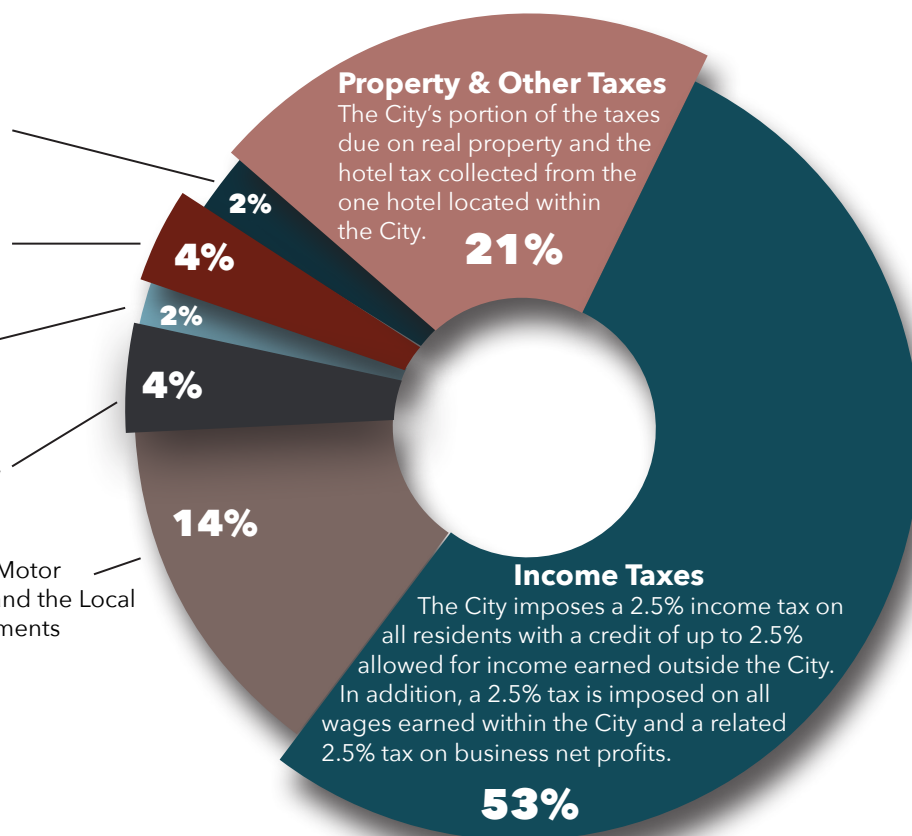
Includes development building permit fees, contractor licensing fees and fire inspections.

Charges for Services

Includes fees and registrations for Lifelong Learning, recreation and emergency medical service runs.

Intergovernmental

Revenue sharing programs, including Gasoline Tax, Motor Vehicle License Fees (for vehicles registered in UA) and the Local Government Fund, state and federal grants and payments in-lieu-of taxes.



Governmental Funds: Three-Year Revenue Summary by Type

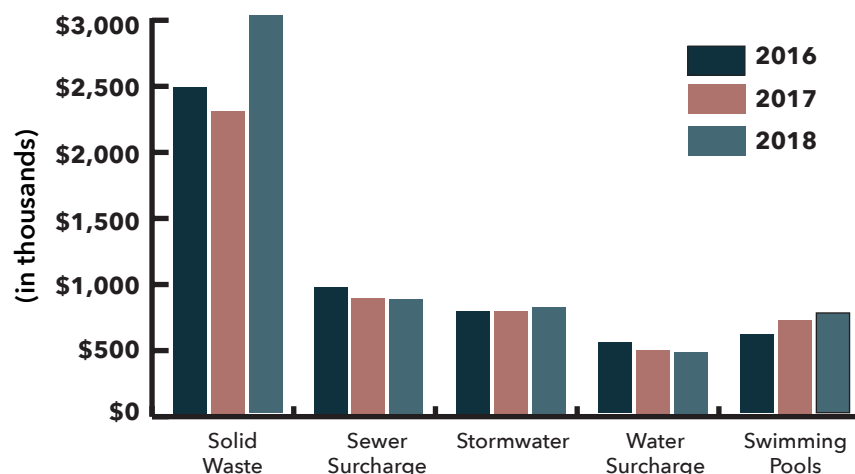
REVENUE	2018	2017	2016
Property Taxes	\$10,184,595	\$10,632,983	\$10,323,503
Income Taxes	\$28,232,156	\$26,777,498	\$25,295,141
Intergovernmental	\$7,091,923	\$6,989,725	\$7,232,171
Charges for Services	\$2,063,261	\$1,929,796	\$2,014,138
Licenses and Permits	\$1,359,976	\$1,244,281	\$1,213,273
Investment Earnings	\$1,190,051	\$778,696	\$533,011
Other	\$2,606,537	\$2,243,950	\$1,705,251
Total Revenues	\$52,728,499	\$50,596,929	\$48,316,488

The table to the left presents a three-year summary of governmental revenues by primary type in order to present a picture of typical revenues from year to year. The revenues reflected are representative of the City's fund level statements and do not include bond proceeds or the City's Enterprise Funds.

ENTERPRISE FUNDS REVENUE

The City receives additional revenues from various “business-type” activities. Referred to as Enterprise Funds, these “business-type” activities are set apart from other revenue sources since they are designed to be self-supporting. The revenues generated from these activities are used to maintain and improve the City’s water, sewer and stormwater infrastructures, and cover the costs associated with providing residents with solid waste collection and three public swimming pools.

Upper Arlington’s water and sewer services are provided by the City of Columbus. Though Columbus provides these services, Upper Arlington is required to provide and maintain the water and sewer lines. In order to fund the maintenance and improvements, a 10% (water) and 18% (sewer) surcharge has been added to the City of Columbus’ billed cost of the service. The 10% and 18% surcharges have remained constant from 2007–2018. In order to cover the increasing costs associated with these utilities, City Council adopted a 5% increase to both surcharges, effective January 1, 2019. All other “business” activity-related fees are billed and collected directly by the City. They include:



- A **\$45 stormwater fee** on each residential household to fund maintenance and improvements to the City’s stormwater infrastructure. The \$45 fee has remained consistent since 2011.
- A **\$227 solid waste fee** (plus or minus any premium service or senior discount) on each residential household for operation of the solid waste collection program. This pricing structure began in 2018 when the City ended its pay as you throw program and implemented a cart-based solid waste system with a standard pricing model.
- **Various fees** are charged to residents (and non-residents) for the use of the City’s three swimming pools. These revenues are dedicated to operations, maintenance and improvements of the community’s three outdoor pools.

From year to year, the increases or decreases in these revenue sources primarily reflect a change of usage levels.

UA SPOTLIGHT: 2018 SOLID WASTE PROGRAM

Following an extensive review of the challenges associated with the City’s former “pay as you throw” Solid Waste Service, the City reshaped its expectations for streamlined services in 2017. At the start of 2018, the community successfully transitioned to the new approach, with solid waste provider Local Waste Services. All households have uniform recycling and trash containers with lids and wheels, and residents can now dispose of yard waste and bulk items at no extra charge. The results include cleaner streets on trash day, an efficient collection process and a drastic decrease in complaints, at pricing similar to 1992 fees.

DID YOU KNOW..

If you are a single-unit homeowner and aged 60 years or above, you qualify to receive a discount on your solid waste base fee each year. Visit the Finance Department or fill out a form online to start the application process.



FOOD WASTE PILOT PROGRAM

To continue the City’s efforts to reduce waste in our landfills, in May, 2019 it launched a composting pilot program for residential food waste, providing residents with an alternative to “at-home” composting.

The City has partnered with GoZero Services—a non-profit food waste courier service—for this innovative new program.

It’s easy to participate, just deposit your food scraps at one of these locations:

- Municipal Services Center, 3600 Tremont Road, at the south end of the building by the Police entrance.
- Amelita Mirolo Barn, 2395 Carriage Hill Lane, 43220, at the front entrance.

For more information including accepted/not accepted items, visit upperarlingtonoh.gov or call 614-583-5350.



EXPENDITURE HIGHLIGHTS

The three-year Governmental Fund expenditure comparison presented below shows a steady increase in operating expenditures, as well as a continued focus on the City's 10-year Capital Improvement Program (CIP). In total, 2018 Governmental Fund expenditures decreased by \$2.8 million (-4%) as compared to 2017. The decrease was primarily the result of a decrease in debt and capital related expenditures, offset by a moderate increase (4%) in operating expenditures caused by an overall increase in the costs of goods/services and labor & benefits.

The City issues debt to fund a portion of its various capital improvement projects. Debt Service expenditures vary from year-to-year based on repayment schedules and costs associated with issuing the debt. The scheduled debt service payments and costs associated with issuance in 2018 were \$590,432 less than scheduled payments and issuance costs in 2017. More details on the City's debt can be found on page 11.

Capital outlay expenditures consist of costs associated with the City's 10-year CIP and capital equipment purchases. This line item began to increase drastically after the passage of Issue 23 in 2014, which dedicated a .5% income tax to capital improvements (not capital equipment). In 2018, the amount of capital outlay expenditures decreased by \$3.4 million. The decrease was due to a difference in the timing of payments based on the level of completion of each project, not because changes were made to the 10-year CIP. In 2018, approximately 90% of capital outlay expenditures were related to capital improvements associated with the 10-year CIP. The remaining 10% was related to equipment or machinery for various City departments. More details on the CIP can be found on page 12.

Governmental Funds: Three-Year City Expenditures by Type

REVENUE	2018	2017	2016
Public Safety	\$17,688,108	\$17,009,989	\$15,991,284
General Government	\$10,210,143	\$9,940,138	\$9,819,085
Public Services	\$3,857,157	\$3,755,954	\$3,914,648
Parks & Recreation	\$3,708,024	\$3,538,645	\$3,264,418
Community Development	\$897,908	\$866,779	\$814,330
Subtotal	\$36,361,340	\$35,111,505	\$33,803,765
Debt Service Payments	\$6,974,495	\$7,564,927	\$5,701,321
Capital Outlay	\$16,621,708	\$20,054,043	\$20,839,166
Total Expenditures	\$59,957,543	\$62,730,475	\$60,344,252

UA SPOTLIGHT:
911/DISPATCHING CONSOLIDATION

A critical issue under review at the City for approximately six years—determining the best solution for providing 911/dispatching services—concluded with a successful partnership with the Northwest Regional Emergency Communications Center (NRECC), at the City of Dublin. Early in 2017—at the recommendation of the Police and Fire chiefs—the City selected NRECC as its preferred service partner, and transition preparations began.

By early October, fire and EMS emergency calls and all landline calls moved to NRECC, with Police calls following early in 2018. This seamless transition ensures that our residents receive the very best level of service at a time when they most need our assistance.



GOVERNMENTAL FUNDS 2018 OPERATING EXPENDITURES

The pie chart below provides a view of expenditure types within the City's operating budget (excluding debt service payments and capital outlay). Public Safety consistently ranks as the largest outlay and is also recognized as an important community priority. Large workforces are required around the clock, in addition to the need to maintain extensive equipment and facilities. As a result, safety in Upper Arlington is considered one of the community's best attributes, often cited by residents as a reason for living here.



Public Safety

Encompasses the Police and Fire divisions. The Police Division is composed of three bureaus; patrol, investigative (detective services) and support services (community relations and education programs). The Fire Division is composed of fire, emergency medical services, fire prevention and inspections, community relations and education programs.



Community Development

Encompasses Building Standards, Code Compliance, and Zoning and Planning.



Parks & Recreation

Encompasses the services, programs and facilities provided by the divisions of Cultural Arts, Parks & Forestry, Tennis, Recreation and the Senior Center.



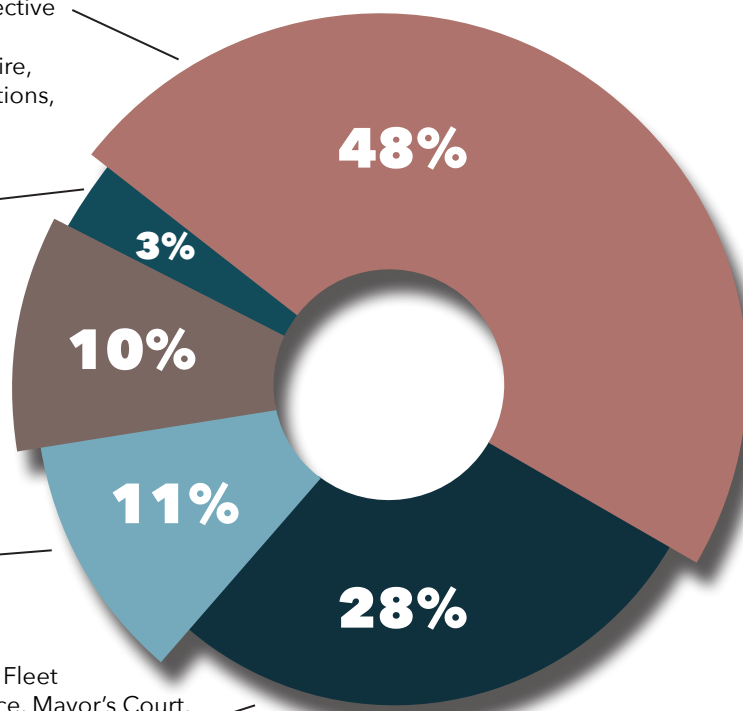
Public Service

Encompasses Public Works, Engineering, Electrical and Streets/Utilities.

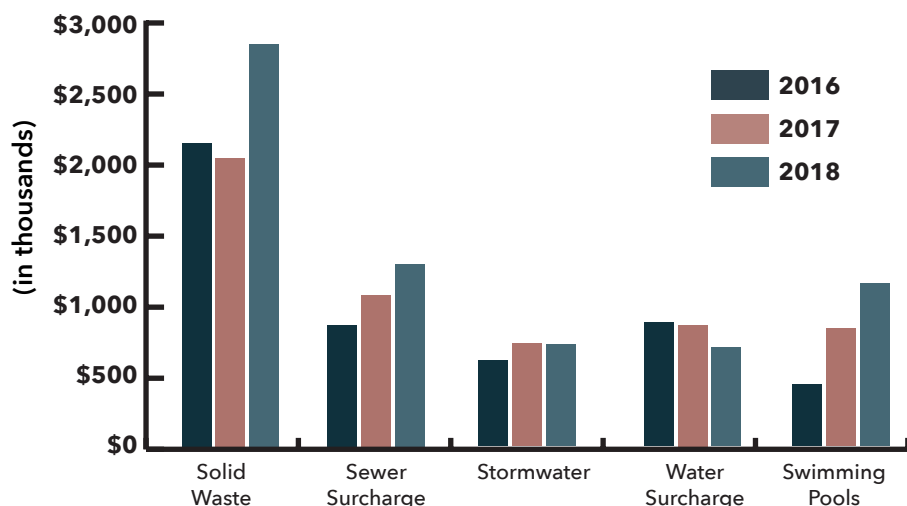


General Government

Functions serving City operations as a whole, including: Fleet Maintenance, City Manager's Office, City Attorney's Office, Mayor's Court, Finance, Building Maintenance, Information Technology and General Administration.



ENTERPRISE FUND EXPENSES



Total Enterprise Fund expenses increased during 2018 (by approximately \$1.2 million, or 21% from the prior year). Approximately 70% of the increase can be attributed to costs associated with operation of the new Solid Waste Program. The remaining 30% of the increase is a result of increasing costs for contractual services, an increase in annual depreciation expense as a result of a focus on utility-related infrastructure assets in the 10-year CIP, and an increase in labor and benefit costs.

It should be noted that the increase in labor and benefits for the City's utility funds (Water, Sewer, and Stormwater) represents how the Public Works Division's workload was allocated during the year. These amounts regularly vary between the various utility funds, and Enterprise and Governmental Fund activities, based on the specific types of projects budgeted each year.

NOTE: The data included in this review of revenues and expenditures provides an abridged summary of the City's detailed financial statements as presented in the Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2018, prepared in accordance with Generally Accepted Accounting Principles, and does not reflect the Upper Arlington Community Improvement Corporation, a component unit of the City.

THE CITY'S NET POSITION

The statement of net position presents information on all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Net position is categorized by activity type. Governmental activities include services largely funded through non-exchange revenues such as income and property taxes-safety forces and street crews are prime examples. Business-type activities include services primarily funded through user charges, such as utility billings and swimming pool memberships.

In 2018, the City saw its total net position increase by approximately \$6 million (7%). The increase can be primarily attributed to four main factors:

- An increase in income tax revenue as a result of continued economic development activity and a growing economy;
- Significant grant funding related to infrastructure improvements;
- Capital asset additions exceeding depreciation expenses;
- An increase in debt burden as a result of issuing bonds for the purpose of fund infrastructure improvements.

Net position is further broken down into the following three components:

- **Net Investment in Capital Assets** - The largest portion of the City's overall net position reflects its investment in capital assets (land, buildings, improvements, equipment and

infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens, therefore these assets are not available for future spending.

- **Restricted** - This is the portion of net position which represents resources subject to restrictions on how they may be used. This includes limitations imposed either through legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted** - The balance of net position is classified as unrestricted and ultimately may be used to meet the government's ongoing obligations to its citizens and creditors. It is important to note that the unrestricted net position of the City's business-type activities may not be used to fund governmental activities.

Though all three components contributed to an overall increase in total net position during 2018, the unrestricted portion remains negative. The negative balance is the product of spending down the existing unrestricted fund balance on capital-related projects, recording liabilities and expending income tax dollars for business-type related capital assets (i.e. water lines, sewer lines, etc.), and the requirement to record net pension and other post-employment liabilities in accordance Governmental Accounting Standards Board (GASB) Statements No. 68 and 75 (see full CAFR for further explanation).

Net Position (in thousands)	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets		<i>Restated</i>		<i>Restated</i>		<i>Restated</i>
Current and other assets	\$92,916	\$88,143	\$6,597	\$6,150	\$99,513	\$94,293
Capital assets, net	\$112,898	\$105,807	\$48,213	\$45,166	\$161,111	\$150,973
Net pension asset	\$17	\$7	\$2	\$1	\$19	\$8
Total Assets	\$205,831	\$193,957	\$54,812	\$51,317	\$260,643	\$245,274
<u>Deferred Inflows of Resources</u>						
Total deferred inflows of resources	\$12,480	\$11,376	\$575	\$827	\$13,055	\$12,203
<u>Liabilities</u>						
Current and other liabilities	\$2,837	\$3,905	\$294	\$239	\$3,131	\$4,144
Long-term liabilities outstanding	\$152,530	\$145,009	\$3,873	\$4,361	\$156,403	\$149,370
Total Liabilities	\$155,367	\$148,914	\$4,167	\$4,600	\$159,534	\$153,514
<u>Deferred Inflows of Resources</u>						
Total deferred inflows of resources	\$16,989	\$13,191	\$505	\$123	\$17,494	\$13,314
<u>Net Position</u>						
Net investment in capital assets	\$56,030	\$50,937	\$46,220	\$43,064	\$102,250	\$94,001
Restricted	\$34,261	\$32,084	-	-	\$34,261	\$32,084
Unrestricted	(\$44,336)	(\$39,793)	\$4,495	\$4,357	(\$39,841)	(\$35,436)
Total Net Position	\$45,955	\$43,228	\$50,715	\$47,421	\$96,670	\$90,649

FUND ACCOUNTING

State and local governments, such as the City, employ fund accounting whereby assets and liabilities are grouped according to the purpose for which they are to be used. Each grouping, or fund, operates as a separate, self-balancing set of accounts. The General Fund is the chief operating fund of the City, and General Fund expenditures account for 57% of governmental expenditures. Special revenue funds, such as

the Street Maintenance & Repair Fund, are group revenues raised for a specific purpose. Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities.

These intended uses can be demonstrated by viewing the five components of governmental fund balances **below**.

COMPONENTS OF FUND BALANCE AT DECEMBER 31, 2018 (in thousands)

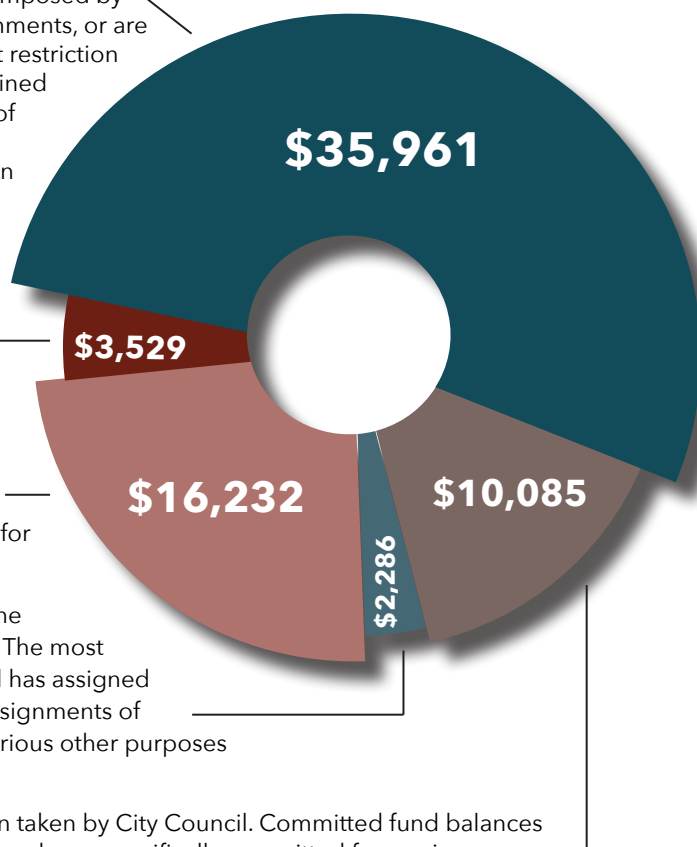
Restricted fund balances have constraints that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions. The most significant restriction of fund balance (\$30.2 million) is to fund future capital projects as outlined in the City's 10-year Capital Improvement Program. Other restrictions of fund balance include: debt (\$905,614), pensions (\$2.4 million), street maintenance and repairs (\$1.2 million), law enforcement and education (\$998,379), and various other purposes (\$408,616).

Nonspendable fund balances are amounts that are not in spendable form or are required to be maintained intact. The City's nonspendable fund balance includes inventory balances (\$220,964), monies advanced from the General fund to the City's TIF funds, which are not expected to be repaid within one year (\$2.8 million), and the value of assets that are specifically being held for resale (\$505,725).

Unassigned fund balances represent a fund balance that is spendable and has not been restricted, committed, or assigned. The unassigned fund balance at December 31, 2018 totaled \$16.2 million for governmental funds.

Assigned fund balances are constrained by the City's intent to use the funds for a specific purpose, but are neither restricted nor committed. The most significant portion of the assigned fund balance is the amount Council has assigned to cover the 2018 General Fund budget deficit (\$1.6 million). Other assignments of fund balance are for general government purposes (\$487,076) and various other purposes (\$174,734).

Committed fund balances have constraints based on a formal action taken by City Council. Committed fund balances also incorporate contractual obligations to the extent that resources have been specifically committed for use in satisfying those contractual requirements. Similar to restricted fund balances, the most significant portion of committed fund balance is for capital projects (\$8.1 million). Other commitments include: emergency medical services (\$335,752), economic development (\$391,653), self-insurance (\$844,027) and various other purposes (\$313,036).



UA SPOTLIGHT: CITY SEEKS ALTERNATE FUNDING FOR PROJECTS

Seeking alternate funding sources is a priority for the City.

Recent accomplishments include:

- A grant of \$100,000 for the Wyandot Shared-Use Path on Masters Drive
- A grant of \$200,000 to support the pending Veterans Plaza project at Mallway Park
- Donations totaling \$280,000 for the Centennial Plaza and History Walk project at Northam Park
- A grant of \$7.4 million in support of future reconstruction of Fishinger Road, which includes the addition of new sidewalks
- A shared grant supporting a partnership with the City of Columbus and other surrounding communities for the expansion of the COGO bike system, with five stations installed in Upper Arlington
- A \$73,000 grant in support of the Fire Division's CARES Program
- Two grants enabling the Fire Division to purchase a CPR machine and an ultrasound device for one of its medic trucks

THE VALUE OF INCOME TAX

Income tax is the largest source of revenue for the City, representing 53% of all governmental revenues, yet we are reliant on a small number of larger employers as a result of the limited amount of land dedicated to commercial use.

The City's income tax applies to earned income, and business net profits. All Upper Arlington residents over the age of 18 are required to file an income tax return with the City, regardless of whether any tax is due.

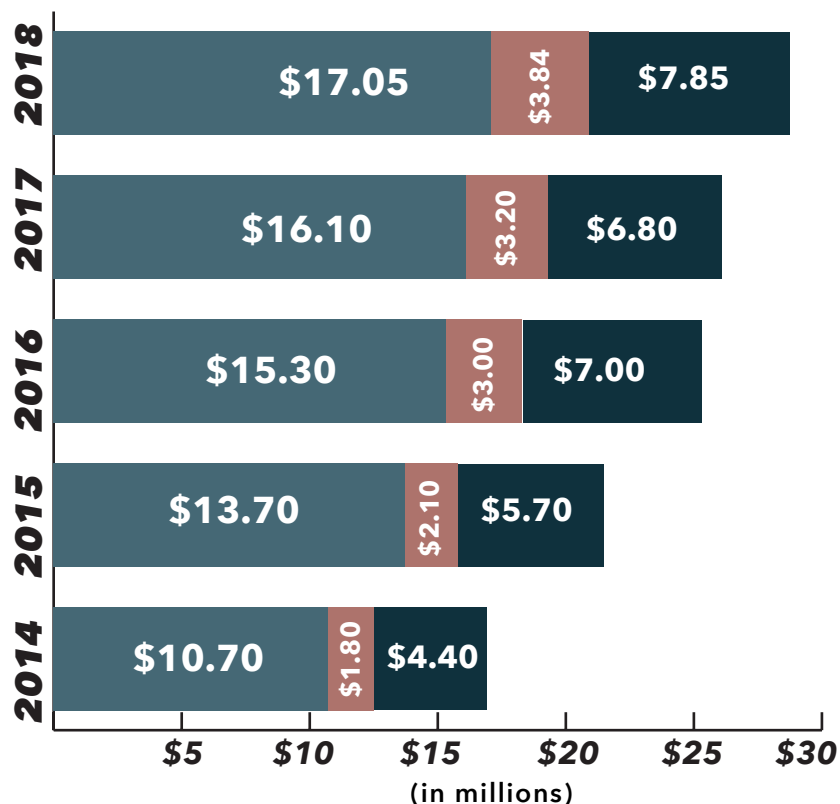
It is important to note, residents who work outside Upper Arlington pay their income tax to the community in which they are employed. However, if you are a resident of Upper Arlington

but work in a community that has a rate less than 2.5%, the difference between the two rates is remitted to Upper Arlington.

This has significant impact on the City because Upper Arlington is considered a bedroom community, where approximately 84% of the total income earned by residents occurs in other communities.

This fact is presented in a slightly different manner in the table below (presented on the cash basis) which shows approximately 59% of the City's income tax revenues come from employer withholdings (residents and non-residents working in the City), while just over 13% comes from taxes on business net profits.

INCOME TAX CATEGORIES



WITHHOLDING

2.5% tax due on all employees who work in the City, typically withheld from their salary and paid to the City by the employer.

NET PROFITS

2.5% tax levied on the profits realized by UA businesses after other taxes have been applied.

INDIVIDUAL

2.5% tax due on most additional income earned by individuals, including partnerships, trusts, sole proprietorships and rental income.

NOTE: The City imposes a 2.5% income tax on all residents with a credit of up to 2.5% allowed for income earned outside the City. In addition, a 2.5% tax is imposed on all wages earned within the City and a related 2.5% tax on business net profits. Prior to January 1, 2015 the income tax rate was 2%.

UA SPOTLIGHT: 2019 CITIZEN FINANCIAL REVIEW TASK FORCE

Per a recommendation of the 2014 Citizen Financial Review Task Force, early in 2019 City Council formed a task force to measure the effectiveness of steps taken to implement the recommendations of the 2014 report and determine if additional recommendations should be pursued. The Task Force members were: Ann Gabriel (Chair), Jamie Crane, Colin Gawel, Greg Guy, Ukeme Awakessien Jeter, Tim Keen, Matthew J. Kirby, Matthew Rule and Kaz Unalan.

The Task Force conducted its work from early April through June of 2019, reporting back to Council early in July. Council is expected to revisit and take action on the report in the fall of 2019.

The Task Force was charged with the following:

- Review the report of the 2014 Task Force.
- Determine the extent to which recommendations have been implemented; evaluate whether desired outcomes were achieved for each implemented recommendation, or if not, determine if each recommendation is still valid.
- Undertake a high-level review of the City's current financial status and overall outlook.
- Explore further privatization and/or collaboration opportunities.
- Undertake a high level assessment of existing service levels to verify alignment with community needs and/or expectations.
- Assess the status of capital investments made to date and the outlook/plans for the next 10-year Capital Improvement Program.
- Examine and recommend specific program areas where a fuller review may be necessary.
- Report findings and make recommendations for City Council to consider.



WHERE YOUR PROPERTY TAXES GO

Property Tax Breakdown

Taxing Authority	Effective Mills
City of UA	6.00
Franklin County*	16.84
UA Schools	52.56
UA Library	1.65
Total	77.05

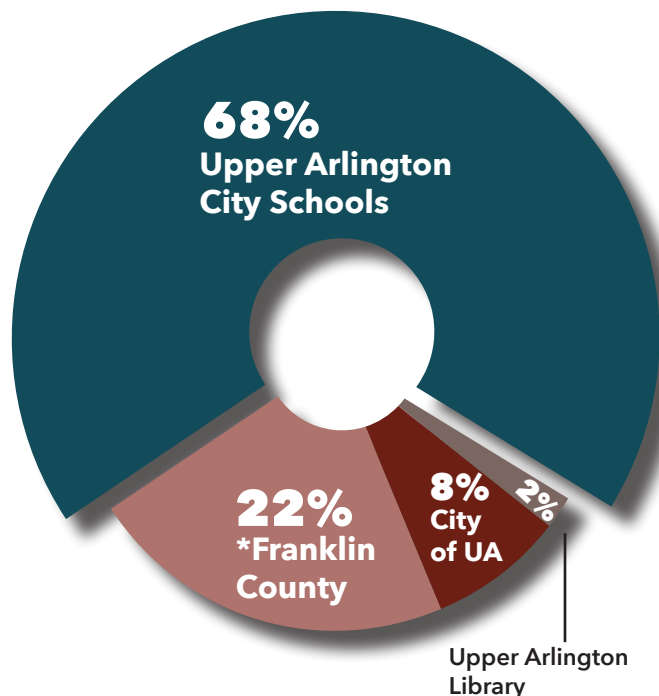
*Franklin County includes Alcohol, Drug, & Mental Health, Columbus Zoo, Senior Options, Franklin County Board of Developmental Disabilities and Franklin County Children's Services

One of the biggest tax bills we typically face each year is tied to the property we own.

Property tax in Upper Arlington is administered by Franklin County, and is usually calculated into our monthly mortgage payment. As a result, we don't always think of it in concrete terms nor do we explore in detail how this funding mechanism is used.

As the pie chart at right indicates, only a small portion of your property taxes support the City of Upper Arlington. The majority supports the Upper Arlington Schools and various Franklin County levies. Concurrently, property taxes account for one of the largest and most stable revenue sources for the City, representing approximately 21% of total governmental revenues.

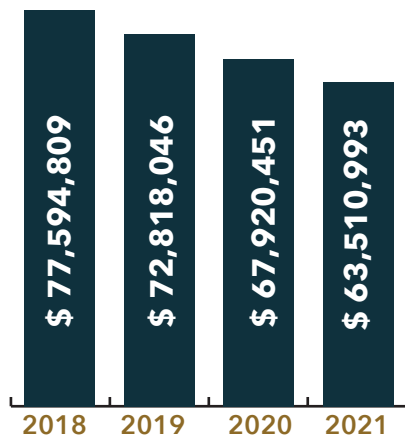
For more property tax information, including a calculator to determine your valuation and how your taxes are distributed, contact the Franklin County Auditor's office or visit www.franklincountyauditor.com.



OUTSTANDING DEBT

The repayment of debt is primarily funded using income tax collections that have been set aside for capital investments or its related debt. Ohio Law limits the amount of outstanding debt allowed to 10.5% of the taxable value of property. In 2018, the assessed value of the City of Upper Arlington's property was

\$1,923,971,270. The City's general obligation debt, less amounts set aside for debt repayment, represents just 3.9% of the estimated taxable value of property. The tables below and to the left provide a summary of the type (including definitions) and amount of debt outstanding.



Two-Year Debt Summary (in thousands)

Debt Type	2018	2017
General Obligation Bonds	\$74,365	\$69,296
Special Assessment Bonds	-	\$135
Loans	\$3,229	\$3,458
Total Debt	\$77,594	\$72,889

- **General Obligation Bonds**- long-term debts that are repaid from the City's available resources.
- **Loans**- low-interest loans from the Ohio Public Works Commission and Franklin County Infrastructure Bank to support capital improvements.
- **Special Assessment Bonds**- long-term debt that is repaid from specific assessments collected from the related property owners.

CAPITAL IMPROVEMENTS

Since the City expanded its Capital Improvement Program in 2014, approximately \$64 million has been invested in our streets, waterlines, bridges, sanitary sewer lines, streetlights and traffic signals, with positive results. The most recent two-year street pavement and curb condition ratings—a process for measuring

road conditions to help prioritize projects—show that the average rating for pavement condition has increased from 82.7 in 2012 to 89.2 in 2018 (out of 100); and curb conditions have improved from an average of 2.3 in 2012 to 1.9 in 2018 (on a scale of one to five, with one being the best condition).



2018 HIGHLIGHTS

- **Street Maintenance Program:** \$1 million invested in resurfacing and spot curb and gutter repairs on sections of more than 14 streets.
- **Street Reconstruction Program:** \$4.2 million invested in complete road reconstruction, new curb and gutter, driveway apron replacement and storm sewer improvements on 14 streets.
- **Sidewalk Connection:** \$675,000 invested in improving connectivity throughout the City through the Sidewalk Maintenance Program and new sidewalks associated with the street reconstruction program projects. An additional 6,000 feet of new sidewalks were installed in 2018.
- **Street Light Improvements:** \$1.1 million invested in replacing the existing wooden street light poles along Kioka Road, McCoy Road and Northam Road with new decorative poles and LED street lights.
- **Traffic Signal Improvements:** \$400,000 invested in replacing the traffic signals at two intersections.
- **Waterline:** \$2 million invested in replacing 1.7 miles of waterline mains and services on six streets.
- **Storm Sewer:** \$700,000 invested in storm sewer infrastructure to replace aging infrastructure in preparation of future street improvement projects
- **Bridge Replacement:** Dorset Road over Evans Run.
- **Sustainable Sewer Solutions:** \$1.2 million invested to update the City's sanitary sewer system, including lining, point repairs, and cleaning of main sewer lines, laterals and manholes.
- **Parks:** \$2.4 million invested in improvements to the City's parks and structures including sidewalk repairs, a new shared-use path in Wyandot Park connecting Lane Road to McCoy Road, Devon Pool pool house and concession facility*, Westover playground replacement*, and the Centennial Plaza and History Walk at Northam Park**.

*Construction began in 2018, completed in 2019.

**The Centennial Plaza and History Walk included private and public funding.

UA SPOTLIGHT: BUSINESS & DEVELOPMENT HIGHLIGHTS

Upper Arlington has experienced consistent and impressive levels of reinvestment in both the business/development and residential arenas for many years, as shown by construction values recorded by the Community Development Department. The year 2019 however, is shaping up to be the most significant year on record when compared to recent years, as shown below:

- **2016** - \$111.6 million
- **2017** - \$100.6 million
- **2018** - \$100.7 million
- ***2019** - \$408.2 million



Several notable projects were under construction in 2018:

- **Heartland Bank** - new two-story building at the northwest corner of Lane Avenue and Northwest Boulevard to include Heartland Planning associates on the second floor.
- **COHatch** - conversion of second floor space at the Shops on Lane Avenue for shared working space.
- **Upper Arlington Veterinary Hospital** - conversion of a two-story office building on Lane Avenue into an expanded practice with office space above.
- **Brassica Restaurant** - conversion of former Trek Store to restaurant use, to include the parent company's corporate headquarters.
- **First Community Village** - the start of a three-year, phased project to construct The Fairfax, a new, five story, 70-unit independent living building above a 70-space parking garage, with improvements to the Waltham Road entrance.

HOW CAPITAL INVESTMENTS ARE FUNDED

The City's capital outlay consists of investments in our underground and surface infrastructure (sewer and water lines, roads, traffic lights, bridges, etc.), capital equipment, public facilities and parks.

The City's financial policies include guidance for maintaining a 10-year Capital Improvement Program (CIP) with the goal of achieving the annual replacement cost of the infrastructure based upon service life of each component. The CIP is managed and developed by a committee consisting of representatives from all the major divisions of the City. This committee is responsible for evaluating potential projects, adding and removing projects, and prioritizing the projects included within the CIP. The CIP provides City Council the ability to determine the fiscal viability of the plan and the opportunity to monitor the fiscal impact on the operating budget long before the improvements take place. Using the adopted financial and debt policies for capital investments, the plan consists of a combination of cash and debt financing.

The main source of funding for the CIP is a 28% allocation of income tax revenues. However, the City also annually allocates a portion of its general tax revenues (\$1.25 million in 2018) and monies generated from the water and sewer surcharge and stormwater utility bills towards the CIP. The combination of these sources are used to pay off existing capital-related debt, newly issued capital-related debt and cash funding of capital projects.

General obligation bonds are the primary source of debt issued for capital improvements. The City is proud to have attained a bond rating of Aaa from Moody's Investors Service and a rating of AAA from S&P Global - the highest ratings obtainable. This credit rating allows the City to borrow money at very favorable interest rates. In 2018, approximately 60% of the improvements were financed using debt proceeds and 40% were financed using existing cash, grants, etc.

Three-Year Capital Investment Summary

Investment Type	2018	2017	2016
Governmental Funds			
Capital Equipment	\$887,261	\$929,324	\$519,170
Capital Improvements	\$14,647,341	\$17,374,190	\$19,751,130
Subtotal	\$15,534,602	\$18,303,514	\$20,270,300
Enterprise Funds			
Capital Equipment	\$278,628	-	\$26,181
Capital Improvements	\$9,524	\$38,762	\$17,606
Subtotal	\$288,152	\$38,762	\$43,787
Total Capital Investment	\$15,822,754	\$18,342,276	\$20,314,087

UA SPOTLIGHT: 2019 DEVELOPMENT PROJECTS



Lane II: Demolition of old structures (left and center); rendering of the five-story mixed-use building (right).

Significant projects scheduled for construction starts in 2019 include:

- The Lane II** - this project includes a five-story hotel, five-story mixed-use building with restaurants, office space, apartments and structured parking wrapped by two-story townhomes, as well as eight townhomes and surface parking behind the hotel. Work began in the summer of 2019, and the entire project is scheduled for completion by late fall 2020.
- Upper Arlington Schools Facilities Master Plan** - this significant effort entails rebuilding the High School and replacing or renovating all five elementary schools, with construction occurring in phases from 2019 through the fall of 2022.
- Orthopedic One Expansion** - beginning the summer of 2019, this project comprises a two-story, 24,650 square foot addition at the rear of the building, with 13,860 square feet of renovations to the existing building.
- Arlington Gateway** - to be located on Lane Avenue east of North Star Road, this project completed the public review and approval process in 2018, however, as of the summer of 2019, a Revised Final Development Plan is currently pending review by the Board of Zoning and Planning. The revised proposal includes 27,000 square feet of ground floor retail and restaurant uses, 225 apartments on the 2nd-6th floors wrapped around a seven-story parking garage with 866 spaces, and to the east, an additional five stories with 139,000 square feet of office space.



PUTTING THE PARKS PLAN TO ACTION

2018 was a busy year for our Parks & Recreation Department with completion of the Parks & Recreation Comprehensive Plan, a document that will guide decision-making relative to the department's oversight of parks, facilities and programming in the years ahead. PROS Consulting was contracted to perform the study on the City's behalf. City Council passed a Resolution of Support for the plan in November 2018, and implementation began early in the New Year.

Goals & Recommendations

Using data and resident feedback collected throughout the process, PROS developed an action plan that includes department vision and mission statements and defines a series of organizational values to frame how implementation will be approached. The plan features five key goals:

- **Parks:** Seek to acquire the appropriate level of park land to meet the community's needs for additional trails, sports fields and neighboring parks, along with funding for development to achieve the desired amenities for a valuable recreation experience.
- **Facilities:** Achieve the appropriate level of indoor and outdoor community recreation space for people of all ages and abilities..
- **Programs:** Develop a philosophy in which core programs drive design and operations of all facilities, both indoors and outdoors to maximize the value, use and customer experience for people of all ages, interests and abilities.
- **Operations:** Incorporate design standards for all parks and amenities to support efficient operations based on operational and maintenance standards, tied to staffing standards focused on achieving the right outcome for the right costs.
- **Finance:** Incorporate a business approach to all operations that focuses on meeting an expected unit cost, and cost recovery levels to be achieved that include programs, maintenance, operations and partnerships, as well as incorporating all available funding sources to provide cost effective services to the community.

Implementation Update

- In July 2019, City Council appointed a 16-member Community Center Study Group to undertake a feasibility study for a multi-generational indoor recreation center. The Study Group process is expected to begin late summer and run into 2020.
- A full assessment of the Northam Park Tennis Court facilities and programming is in process in 2019. Once the assessment is complete, plans for court upgrades and building improvements will be developed.
- A new playground at Westover Park was completed in 2019, with many inclusive features designed for children with differing abilities.
- Plans for field drainage improvements and replacement of the play-ground at Reed Road Park are in process in 2019.
- The department is identifying options for improving playability within the existing network of sports fields and is exploring options for access to additional sports fields through partnerships or land acquisition within or outside Upper Arlington city limits.
- A new pool house at Devon Pool was completed in 2019, featuring showers, lockers, baby changing stations, a family changing room, improved facilities for guest services, expanded storage, and a concession stand. Plans are in process for replacing the mechanical building starting in the fall of 2019. Options for the toddler pool will be further explored, for tentative construction after the 2020 pool season.
- The department has added new outdoor and nature-oriented programming options for the fall 2019 season.

Stay Involved

The entire Parks & Recreation Comprehensive Plan process included extensive community engagement, and this will continue as the City begins to work on implementation. We encourage you to stay informed and to participate in next steps. To review the plan in its entirety or register to receive updates through our e-newsletters, please visit upperarlingtonoh.gov.

UPPER ARLINGTON'S CENTENNIAL CELEBRATIONS

After several years of planning by a dedicated task force of community volunteers, civic groups and City representatives, in 2018 Upper Arlington celebrated its 100th anniversary in style. The year's activities included:

- Completion of the Centennial Legacy Project (see below)
- Production of the *Centennial*, a keepsake magazine mailed to all households
- Publication of *A Cherished Past, A Golden Future*, a new history book by the Upper Arlington Historical Society,
- A March 20 Birthday Celebration and the Centennial Legacy Project groundbreaking
- Centennial-themed Fourth of July celebrations, hosted by the Upper Arlington Civic Association, including the community's largest parade to date, an expanded fireworks display, and the unveiling of the Centennial Legacy Project
- Gathering items for the Centennial Time Capsule
- A Legacy Tree Recognition Program and tree planting ceremonies
- Centennial merchandise
- Community banners and street signs
- The Centennial Cycle family bike ride
- Creation of a hand-crafted Centennial beer called the "1918," served at local establishments

Centennial Legacy Project

Centennial Plaza

The Centennial Plaza adds an exclamation point to the Northam Park entry area. Thanks to local artist Alan Hamwi, the plaza features three impressive, climbable bronze bear sculptures with trellising, seating and landscaping. The plaza was made possible in large part by the Upper Arlington Rotary Club, Upper Arlington Community Foundation, Upper Arlington Civic Association and the Kiwanis Club of Northwest Columbus.



History Walk

The History Walk is located along the main pedestrian walkway into the park from Tremont Road. A series of 10 markers (and one information marker about the walk) provide a snapshot of Upper Arlington's first 100 years, from the history behind our mascot, "The Golden Bear," to the people, places, events and community spirit that set us apart. In conjunction with installation of the History Walk, the City made improvements to the walkway, adding trees and planting beds. The History Walk was made possible by: The Martin Peter & Marjorie Garvin Sayers Family; the Barney Family; the Crane Family; the Yassenoff Family; the Patton Family; Northwest EyeCare Professionals; the UA Education Foundation and UA Library Board; The Greg Guy & Lisa Ingram Family; the Gudenkauf and Gehring families; E. Ann Gabriel.



Pictured top: The Tremont Road entrance to the History Walk.
Middle, left to right: Erik Yassenoff (Centennial Steering Committee member), Alan Hamwi (Golden Bear Sculptor) and Kip Greenhill (City Council President and Steering Committee member).
Bottom: Rich Simpson (Centennial Steering Committee Chair) with his grandchildren at Centennial Plaza.

BUSINESS HOURS

Municipal Services Center

Monday-Friday, 8 am-5 pm

Public Service Center

Monday-Friday, 7 am-4:30 pm

2018 Popular Annual Financial Report

The City of Upper Arlington is proud of its record as a fiscally prudent and responsive municipality. Over the years, the hard work of the Finance Division has been recognized consistently for maintaining exceptionally high standards:

**Award for Outstanding Achievement in Popular Annual
Financial Reporting - 13 years**

**Certificate of Achievement for Excellence in
Financial Reporting - 31 years**

Distinguished Budget Presentation Award - 29 years

**Auditor of State Award with Distinction – formerly known as the
Excellence in Financial Reporting award - 23 years**

**Bond rating of Aaa from Moody's Investors Service and a rating
of AAA from S & P Global - The Highest Ratings Obtainable**



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

City of Upper Arlington

For its Annual Financial Report for the Fiscal Year Ended
December 31, 2017

Christopher P. Morrell

Executive Director/CEO

UPPER ARLINGTON CITY COUNCIL



Front Row (from left): Michele Hoyle, Brendan King
(Vice President), Kip Greenhill (President), Carolyn Casper
Back Row: Jim Lynch, Brian Close, Sue Ralph



Dan Ralley
Acting City Manager



Brent Lewis
Finance Director

This Popular Annual Financial Report is intended to summarize the financial activities of the City of Upper Arlington and is drawn from the financial information appearing in the 2018 Comprehensive Annual Financial Report (CAFR). Copies of the CAFR are available at the libraries and can be viewed on the City's website. The data included in this review is not prepared in accordance with GAAP as only a portion of the City's financial statements is presented.