

Undertake a high-level review of the City's current financial status and overall outlook

The Task Force believes the fund balances are very strong and the city is in strong financial shape. With the increase in the income tax there was a significant burst of growth in the taxes as expected, not only because of the income tax increase but also the general economic growth. We note and commend that the City has continued to monitor expenses despite the significant rise in revenue. There are sufficient revenues to support the operations of the city and a robust capital plan to address the extensive capital needs.

The Task Force is impressed with the city's tracking and understanding of the City's revenues and expenses and the budgetary process. In particular, we are impressed by the understanding and grasp of where UA is benchmarked with other communities.

The Task Force also recognized that financial challenges remain. The extent of the capital needs, and the fact that there is a likely recession, needs to be taken into account. Continued vigilance is needed on how tax dollars are spent. We recommend that the City conduct a stress test to determine the impact of potential significant decreases in revenues and the impact on needed spending and resulting fund balances. In conjunction with the stress test, we also recommend that the City undergo a formal evaluation of the appropriate level of fund reserves. The current policy is to hold a reserve of 30% of the general fund expenses in reserve. However, at the current time, the fund balance is at 46% and is projected to be at 46% for the next five years. Once a reserve level has been determined, the City should address how the excess, if any, would be used to reach the appropriate level. We also suggest that the City consider a range target for the fund balance around a point instead of a fixed reserve. That will give the City flexibility to lower the reserve in strong economic times and increase the reserve in weaker economic times.

The Task Force is somewhat concerned about the comments from the rating agencies concerning the level of debt the City has taken on. Should the stress test indicate a reserve level lower than the current fund balance, the City could consider financing capital with more cash than the debt. While we acknowledge that the City could choose to reduce the subsidy from the General Fund to provide for capital improvements, the increase in the gasoline tax can also provide additional funding to support cash payment for capital improvements. The City has an option to add an additional \$5.00 to the cost of a license plate. However, since this is essentially a tax increase to the citizens of Upper Arlington, the Task Force does not recommend pursuing this option at the present time.

While the City is in a strong financial position, the Task Force believes that the City would benefit from a plan for more aggressive growth of the income tax base by exploring areas of the city which are in need of additional employees. We also recommend that, if it has not done so, the City review all of the TIF programs completed and currently in process to determine if the objective of issuing the TIF are being met.

Move to Fuller Review Section?

The Task Force notes that the latest Master Plan was completed in 2013 and identified corridors for development within the City. We believe that it would be beneficial for the City to update the Master Plan given the significant development that has taken place in the last six years. While each department and area we have reviewed is doing a good job on its own, now may be the time for the City to take a holistic view of all of its operations. The plan could begin with a review of economic expansion opportunities in a three, five and seven year time frame with targeted benchmarks for growth. The plan could provide for "what if" scenarios depending on economic events. For example, the use of the Arlington Blvd property is uncertain at this point. When an economic event happens, the City must be ready to act. The City could develop a set of scenario and options to pursue should that scenario occur. In addition such a Master plan could serve as a great indicator to developers on what is welcomed and what is not. As part of the Master Plan, the Task Force recommends that the City should carefully evaluate the use of TIFs in economic growth plans with a focus on the necessary level of revenue growth in terms of both income and property taxes to make the TIF not only pay for itself but also generate additional revenue for the City and the school district in the future. We caution that the City should not assume a TIF is required for economic development and an assessment of the best strategy of when TIFs and/or other tax incentives are provided would be an important undertaking. We believe that providing parameters around TIFs and other tax incentives safeguards against being too subjective, and providing clarity for staff when needed. We note there is healthy competition among cities for businesses and it is important that staff have the appropriate tools to counter balance offers from competing cities to retain our current businesses and attract others. Without a clear plan, staff may be unsure of what they can do. As part of this process, the City should also consider its overall staffing needs and formulate a plan of succession for key employees.

Assess the status of capital investments made to date and the outlook/plans for the next 10-year Capital Improvement Program.

The Task Force believes that, overall, the City is making the right choices, and there is a good process in place to make these decisions. We are impressed with the process in place, how diligent the plan is, that it is being updated annually, and appreciate the transparency of the process. The City may want to review the procurement strategy to make sure it is appropriate and the most cost effective. We recognize the City is aggressively seeking outside grant funding and we encourage this process to continue.

While the Task Force is impressed with the Capital Improvement Program to date and plans for the next 10 years, we recognize there may be a need for significant changes in the plan going forward. In particular, we believe it would be helpful to have a "what if" strategy relating to capital improvements. One area of concern is the sewer and storm

water systems, especially south of Lane Avenue. We are aware of the remediation plan agreed to with the EPA but note that most of the sewer and water lines affected are north of Lane Avenue. It is not clear from the improvements to date or those planned for the next 10 years whether consideration has been given to the state of the sewer and water lines south of Lane Avenue. Given the age of those lines, they may be susceptible to the same overflow issues that are part of the EPA agreement. Even if not directed by the EPA, it would be prudent to evaluate any potential risk of failure of the storm sewer lines south of Lane Avenue. "What if" scenarios might also be helpful in anticipation of economic development projects.

Undertake a high level assessment of existing service levels to verify alignment with community needs and/or expectations.

The basis of our assessment of existing service levels is based on the 2017 Community Survey and our meetings with Department Heads and Chiefs. The results of the 2017 Community Survey indicate that, for the most part, citizens are happy with service levels. We also note that the City has been responsive to the survey and has worked to correct areas where there were problems.

During our discussions, the question was raised as to whether surveying the entire community every three to four years is most appropriate for understanding needs of the community. We understand that the Kingsdate West River Ridge survey is the first of neighborhood specific surveys and suggest surveying specific neighborhoods on a rotating basis annually.

Areas of service level not being met as identified in the 2017 Community Survey relate primarily to Parks and Recreation. An online, real time, field and court scheduling system that is accessible to the public is strongly recommended. Such a system would provide better communication and understanding of what options are available. This system could be enhanced by including meeting space within the City. While we understand that the City, School District and Library System are separate government entities, we suggest that further cooperation in sharing space would be beneficial to the citizens of Upper Arlington.

An intergenerational indoor recreation facility, also known as a Community Center, was identified as a major need in the 2017 Community Survey. We understand that the City will be conducting a feasibility study to assess this issue. We offer our thoughts on issues to be considered in this feasibility study, especially those related to finances.

The feasibility study for a community center will need to be very specific. The Task Force recommends that the feasibility study addresses the full costs, both operating and capital, over the whole life cycle of the project. Consideration must also be given to how the presence of a Community Center affects other needs of the city, including but not

limited to, police, fire, and infrastructure. The Task Force recommends that the half percent that was voted on for infrastructure should not be used for the indoor facility.

The Task Force recommends conducting a competitive analysis among local communities as this is an amenity that seems to be an expectation when people consider where they would like to reside. We also recommend the feasibility study explore public/private partnerships and privatization of services such as professional management by an outside firm. **Finally, the Task Force recommends that the half percent that was voted on for infrastructure should not be used for the indoor facility.**

Clearly, the City must be transparent in its process and enhance the communication to the community.