

Response to Charges:

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 at this time

Recommendations 1, 2, 5, 6, 9, 11, 12, and 13 have been implemented and the desired outcomes were achieved.

Recommendation 3 relates to exploring options for meeting service delivery needs in a more cost effective manner. While this recommendation has been implemented and the desired outcome has been met, the Task Force recommends that these efforts continue and be part of standard operating procedures when procurement and/or delivery of city services are considered.

Recommendation 4 lists specific options for consideration. Options A and B have been implemented and desired outcomes are being met. Option C recommends raising the employee share of the cost of health insurance and other benefits to levels more closely aligned with private sector employers. This recommendation has not been implemented. However, steps have been taken to control and/or reduce the cost of health care incurred by the City. Employee contributions are comparable to those of other public entities. Health care and other benefit plan costs should continue to be closely monitored as they represent a significant expense to the City. Option D recommends consideration of contracting for legal services. It is our understanding that this is currently in process.

Recommendations 7 (general operating) and 8 (business operating) relate to fees charged for programs and services. These recommendations have not been implemented but do remain valid at this time. The Task Force will address fees in the “Areas where a fuller review may be necessary” section of this report.

Recommendation 10 relates to exploring new avenues of revenue to support City Operations. Similar to Recommendation 3, while this recommendation has been implemented and the desired outcome have been met, the Task Force recommends that these efforts continue and be part of standard operating procedures.

Recommendation 14 relates to the one-half mill property tax for bonds issued to fund capital improvements. Part of this millage expired in 2017 with the rest expiring in 2020. The recommendation was that the City consider putting before the voters a property tax for capital needs to replace those levies. This recommendation has not been implemented and Council has asked for the Task Force’s input on this issue.

Given the support citizens have recently provided to the Schools with the approved property tax increase and the City with the .5% increase in the income tax, the consensus of the Task Force is that, if a levy is placed on the ballot, use of the proceeds from the levy should be tied to

a very specific purpose and thoroughly communicated to the citizens of Upper Arlington. Consequently, we do not recommend placing a levy on the ballot until such a purpose has been identified.

Recommendation 15 calls for a fresh review of the City's financial position in three years to determine the effectiveness of actions taken and initiate new actions as necessary. While it has been five years since the report of the 2014 Citizen Financial Review Task Force (2014 Task Force), our Task Force is the implementation of that recommendation. We believe that a new Citizen Financial Review Task Force should be convened every five years to take a fresh view of the City's financial position and recommend areas for additional study.

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

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 tax receipts as expected. Growth of income tax receipts has been sustained by a strong general economy as well as economic activity from City projects. We note and commend that the City has continued to monitor expenses despite the significant rise in revenue. In particular, staffing levels are being increased only after due consideration. 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 the City is benchmarked with other communities.

The Task Force also recognizes that financial challenges remain. The extent of the capital needs and the fact that the current economic expansion is the longest in history needs to be taken into account. Continued vigilance is needed on how tax dollars are spent. The income tax is the largest revenue source for the City representing approximately 48% of the overall revenue estimates and 55% of General Fund revenue estimates. Withholdings from employers operating within the City account for 59% of the income tax revenues. Given the significant reliance on the income tax, we recommend that the City conduct a stress test to determine the impact of potential significant decreases in revenues, through economic downturn or employers leaving the City, on required spending for City operations and services, and the resulting impact on 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 30% of the general fund expenses in reserve. However, at the current time, the fund balance is at 46% and it is projected to be at 46% for the next five years. Once an appropriate reserve level has been determined, the City should determine the disposition of amounts above the target. The disposition should be for one time uses and should not be used for ongoing expenses. 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. The City could consider financing capital improvements using cash to reduce the size of future issuance of debt or increase the time between debt issuances. The increase in the gasoline tax can also provide additional funding to support cash payment for capital improvements. We acknowledge that taking on debt may have been a conscious decision given the current low interest rates. However, Council should assess what debt level it believes is appropriate on an ongoing basis.

The City has an option to add an additional \$5.00 to the cost of a license plate. It is anticipated that the fee could generate between \$300,000 and \$400,000 which could also be used to provide additional cash for capital improvements. However, since this fee can be imposed at any time and a specific use has not been identified, the Task Force does not recommend pursuing this option at the present time.

Explore further privatization and/or collaboration opportunities

We commend the City on its exemplary privatization and collaboration initiatives including the privatization of solid waste services, the consolidation of 911 dispatching and call services, the partnership among the City, Schools and Library to install the fiber optic network and the shared cost with the Schools to include a School Resource Officer at the High School, one officer at each middle school and one officer for the elementary schools. While not implemented, we wish to acknowledge the effort to explore privatization of pool operations and to develop a Joint Economic Development Zone with Clinton Township. Despite the efforts of the City, the partnership with Clinton Township to provide Fire and EMS services was terminated by Clinton Township and the Village of Marble Cliff chose to continue its shared service agreement with Grandview. We understand that retaining outside counsel for legal services, sharing records management systems software for police departments with local municipalities and sharing security system back-end for video monitoring and door access with the Schools is currently under consideration.

In general, back office functions where employees do not work face to face with the public are prime candidates for privatization and/or shared services. We suggest three areas to consider; Information Technology (IT), Human Resources compliance functions, and Fleet Maintenance. There are several IT providers in the area and given the rapidly changing IT environment, from a quality perspective, a third party provider may be a better solution.

We recognize that there some complexities in government entities' compensation compliance processes given the various public employee pension systems and unions. However, all

government entities would have these issues. Given the large number of municipalities as well as county and state agencies, if there is not an existing company to provide these services, there may be an opportunity for government entities to create and to share this service.

We recommend that the City engage an independent, objective third party to evaluate current service delivery processes and available privatization and shared options. An independent, objective review will provide an opportunity for improvement and can be focused upon a set of agreed upon procedures to control the cost of the review. The Task Force recommends that the City consider the resources offered by the State Auditor's office as those services are, in general, more cost effective than those offered by many consulting firms.

The City must constantly monitor service delivery and prioritize what is most important. The Task Force strongly encourages the City to continue its efforts to explore options for meeting service delivery needs in the most cost effective manner.

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 address areas where there were concerns such as the implementation of the Solid Waste Program in 2018.

While we commend the City for consistently seeking input from the citizens of Upper Arlington, we note that similar input has not been sought from the business community. Given the importance of retaining the current employer base, it would be beneficial to understand the service expectations of businesses as well as how well those expectations are being met.

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 Kingsdale West/River Ridge survey was intended to be the first of neighborhood specific surveys. We suggest replicating that survey to specific individual neighborhoods on a consistent, rotating basis.

Areas of service level not being met as identified in the 2017 Community Survey relate primarily to Parks & Recreation. An online, real time, field and court scheduling system that is readily accessible to the public is strongly recommended. Such a system would provide better communication and understanding of what options are available. A third party vendor may be the most effective way to timely and effectively implement such a system. We understand the Parks & Recreation Department is exploring such software called Teamup. While we acknowledge that there will be a learning period for citizens to become familiar with the

software, such a system could not only facilitate scheduling for the public but also allow the Parks & Recreation Department to take fields offline for rest. This system could be enhanced by including a process for identifying and scheduling meeting space within the City.

An intergenerational indoor recreation facility was identified as a major need in the 2017 Community Survey. In addition, the Task Force observes that the existing Senior Center is not a competitive amenity and, in its current tired physical condition, is not reflective of the high standards of our community. We understand that the City will be conducting a feasibility study to assess a Community Center which would address both the need for an intergenerational indoor recreation facility as well as the need to update/replace the Senior Center. In the interim, we suggest the City, Schools and Library work together to better utilize existing space within the City. While we understand that the City, Schools and Library System are separate government entities, we suggest that further cooperation in sharing space would be beneficial to the citizens of Upper Arlington. In particular, there is great need for indoor space during winter months, especially gym space, for youth activities. Some leagues and teams are going outside the City to rent space for these activities. Rental of indoor space could become a revenue stream or at least cover incremental operating costs.

We offer our thoughts on issues to be considered in the Community Center feasibility study, especially those related to finances and the local competitive landscape. The feasibility study for a Community Center will need to be very specific as to financial impacts. The Task Force recommends that the feasibility study address 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 feasibility study should also include any anticipated offsets from shutting down the existing Senior Center and incorporating its program offerings into a new intergenerational Community Center.

The Task Force recommends that the 0.5% income tax that was voted on for infrastructure not be used for the Community Center. There are other potential sources of revenue to support the facility and the increase in the gas tax may free up General Funds currently allocated to capital improvements. The Capital Improvement Plan has been at a heightened level since the passage of the tax increase, but there are still infrastructure challenges and we would not want to dilute the ability to fund those needs.

The Task Force recommends conducting an analysis of the competitive landscape of community offerings among comparable communities as a Community Center is an amenity that seems to be an expectation when people and/or businesses consider where they would like to reside. The competitive analysis should also address the respective facility size, facility staffing and funding structure utilized by other local communities. We also recommend the feasibility study explore public/private partnerships and privatization of services such as professional management by an outside firm.

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. Given the significant increase in volume of activity in this area, the City may want to reevaluate 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. In particular, we encourage the City to review its grant management process to ensure it is able to capture all available grants.

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 as there could be significant potential liability in this area. “What if” scenarios might also be helpful in anticipation of economic development projects.

Examine and recommend specific program areas where a fuller review may be necessary

Over the course of the meetings and information gathering activities of the Task Force, a variety of topics came to light. We offer our observations and recommendations in no particular order.

Fees for Services

As previously noted, Recommendations 7 and 8 of the 2014 Task Force state that fees for services should be set at a level sufficient to cover both operating and capital improvement costs associated with those services. It is our understanding that Council has determined that such a fee structure is not practical or attainable. The Task Force recommends that the City identify all the direct, indirect (as is practical), operating and capital costs for each program or service, assess what level of fees would be necessary to cover those costs, and then make a judgement as to what the City wants to subsidize. In this regard, Council could consider a study/review to determine if the process it follows to identify fees to impose and the level of subsidy of each program or service receives is comparable to like cities. While the Parks & Recreation Comprehensive Plan includes cost recovery targets for certain programs,

comparison to our peer cities would be informative. The consideration and decisions regarding subsidies of City programs and services should be a formal part of budget process and communicated to the public.

Complete Capital Equipment Review

At the present time, each Department within the City is responsible for its own capital equipment. This includes maintaining the inventory of the equipment, estimating useful lives and anticipating replacements, and when appropriate, arranging for maintenance with the Public Service Department. However, these individual plans are not consolidated so that an overall assessment of capital equipment can be easily made. In particular, the City cannot easily assess the funds required for new or replacement capital equipment in any given year. Also, without a consolidated picture of capital equipment, it may be difficult for the City to determine if the overall capital equipment plan is cost effective or identify opportunities where cross department use of capital assets may be appropriate.

We recommend the City consider an independent, objective third party review to evaluate the capital equipment needs of the City, determine the appropriate useful lives of those assets and consider the best plan for maintaining those assets. The assessment could also include guidance on indicators of when capital equipment levels need to be increased or decreased given service demands.

Economic Development

The Task Force is very pleased with the many exciting things going on in the City regarding Economic Development and acknowledges that this is being accomplished with only one dedicated Economic Development Professional. We also acknowledged there may have been thought given to areas we recommend for further consideration but they have not yet been formalized or communicated. We understand there are economic activities that are “behind the scenes” for competitive purposes. We offer our observations in an effort to further the initiatives already in place.

The Task Forces observes that current development activities may be overly reactive and/or project specific. The Task Force believes there is a need for the City to develop a broad, holistic vision for economic development and income tax revenue growth. Although commercial property is limited in the City, we observed that many adjacent communities have creatively and successfully overcome similar limitations utilizing visionary public/private partnerships. Once the vision is developed, specific targets/benchmarks should be established and the vision should be pursued with intentionality. The Task Force recognizes that creation of this economic vision will require an initial investment of time and capital and may require third party consultants and/or external planners to bring fresh thinking to the process. Given that 48% of City revenue comes from the income tax base, it is key the City is focused on utilizing the highest level talent (both internally and externally) to grow this base.

Specific priority geographic corridors should be identified and pursued. The Task Force identified Lane Avenue, Kingsdale/5 Points, and Arlington Blvd/Henderson Rd as the priority corridors. The Task Force cautions against economic development activities which may take focus away from the priority corridors. The development community looks to the local jurisdictions to signal that they want to encourage development and the public and the business community need to understand the City's specific vision for each corridor. There is an opportunity to clearly message the City would be willing to work with the development community.

Given the recent Supreme Court decision to not review the Tree of Life appeal, it is important to plan for the next steps regarding this property. We learned that over 30% of the City's commercial space is in this corridor so it is vital to set a vision and expectations for this area. In particular, there needs to be a consistent branding or identification of the area.

The Task Force notes that the latest Master Plan was completed in 2013. 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. 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 also 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 scenarios and options to pursue should a given scenario occur. In addition such a Master Plan could serve as a great indicator to developers on what is welcomed and what is not.

While bringing new businesses and jobs to the City is critical, it is also important to retain the current businesses already here. The Task Force senses a need for a stronger relationship with existing businesses. As mentioned previously, we suggest the City consider a business survey similar to the community survey to determine if City services are in alignment with the expectations of the business community and what additional services may be desired. Business leaders can be engaged in the formation of the aforementioned broad, holistic vision for economic development which would give them ownership in future economic development activities. In addition, we suggest current business owners could serve as advocates for the City in the economic development process. Finally, we understand the primary function of the Community Improvement Corporation (CIC) is to review the financial incentives offered by the City and make recommendations to City Council. However, since the City has only one Economic Development Professional, members of the CIC could help reach out to the current business base to strengthen relationships within the business community.

When appropriate, the Task Force agrees that financial incentives should be utilized to activate the identified corridors as well as retain existing businesses. 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. The City currently has 11 Tax Increment Financing (TIF) areas with a 12th recently approve for the Lane Avenue 2 project. While the TIFs currently in place have been

highly successful, it may be appropriate for the City to explore other underutilized financial incentives to fund not only new business acquisition but also business retention. The Task Force reminds Council to continue to be mindful of how economic incentives are used, the level of upfront funding the city is providing, and whether the expected returns are being achieved. Clear goals around income tax revenue, employer retention and new employers should be stated when financial incentives are offered. The Task Force perceives a misunderstanding of economic development incentives and their benefits by the public. It may be beneficial to include a brief explanation of incentives used, particularly TIFs, and the return to the City in the Popular Annual Financial Report.