

# *City of Upper Arlington, Ohio* **2020 FINANCIAL REPORT**

*Popular Annual Financial Report for the Year Ended December 31, 2020*



*City of* **Upper Arlington**<sup>®</sup>



## A MESSAGE FROM THE FINANCE DIRECTOR



The reasons residents choose to live in Upper Arlington are varied, but they often revolve around quality-of-life issues. Beautiful homes and safe neighborhoods, a strong sense of community, convenient location, first-rate schools and excellent City services combine to create an attractive, stable environment in which to reside and raise a family.

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 City of Upper Arlington's 16th Popular Annual Financial Report for the fiscal year ended December 31, 2020. The City of Upper Arlington was organized on February 8, 1941 and is a home-rule, municipal corporation organized under the laws of the State of Ohio. The City provides through its departments the following services as authorized by its charter: public safety, public services, parks and recreation, and community development. 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 provide you with 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 2020 Comprehensive Annual Financial Report (AFR). 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 unqualified (or clean) opinion. The numbers contained within the AFR 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 33 consecutive years from the Government Finance Officers Association for its AFR document.

While the numbers in this Popular Annual Financial Report come from the AFR, they are presented in an abridged, un-audited, non-GAAP format and do not include the City's discretely presented component unit, the Community Improvement Corporation. Citizens who wish to review audited GAAP-basis financial statements can refer to the City's 2020 AFR, which is available on the City's website, at [upperarlingtonoh.gov](http://upperarlingtonoh.gov).

Members of the Finance Department and Staff across the organization are proud to serve this fine community. We hope the 2020 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.

Brent Lewis,  
Finance Director

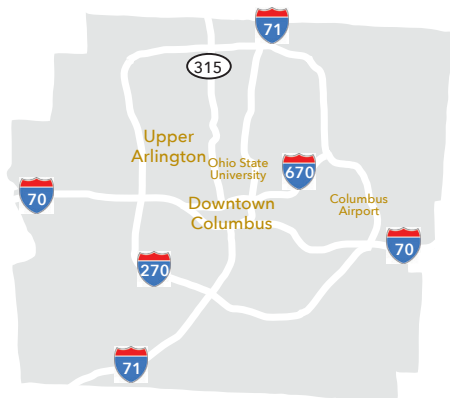
## UPPER ARLINGTON AT A GLANCE...

The City of Upper Arlington is a premier, mostly residential community within the Columbus region. Our residents are friendly, welcoming, engaged, passionate and creative, with high expectations from their local government. Reflective of the educated, family-oriented community that we serve, the City is committed to exceptional, innovative service delivery. Our safety forces prioritize community engagement as much as they focus on saving lives and law enforcement. Our public works team builds and maintains infrastructure systems. Our parks and recreation professionals provide meaningful opportunities to gather, celebrate and enjoy our community's many amenities. Across the organization, our team members explore and embrace new ways to enhance service delivery, while furthering sustainability goals.

The City's role goes beyond managing the routine functions of government, it includes working to make Upper Arlington one of the best communities in the United States. As the primary steward of the community's health and wellbeing, top priorities for the City include a combination of long-range planning, sustainability, economic development and fiscal accountability.

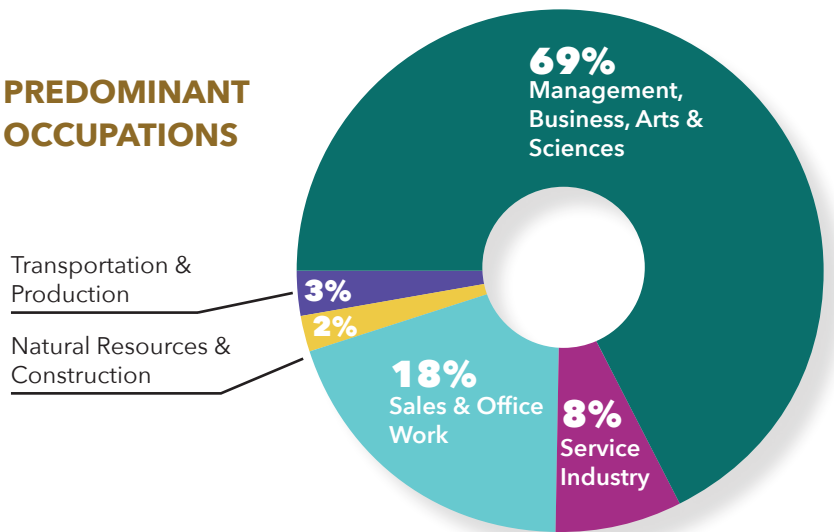
The City organization, its elected leaders and the community are committed to advancing Upper Arlington as a place that is welcoming, inclusive and supportive for all who choose to live or work here, as well as all visitors to our community. With the guidance of a newly formed Community Relations Committee, the City is actively reviewing and updating its organizational policies, hiring practices and purchasing procedures to reflect this commitment.

### LOCATION

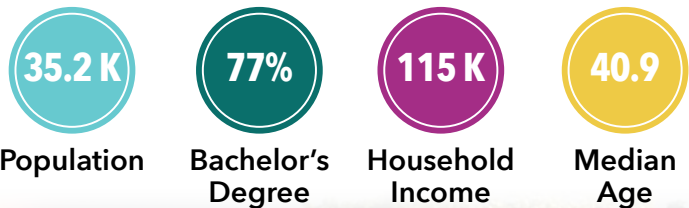


Upper Arlington is a premier suburb located in the heart of Central Ohio, with easy access to The Ohio State University, the 315 corridor, Battelle, major research hospitals, shopping districts such as Polaris and Easton and much more.

### PREDOMINANT OCCUPATIONS



### UPPER ARLINGTON PROFILE



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## REVENUE HIGHLIGHTS

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 City receives the funding it needs in order to provide services to the community from a variety of sources.

Despite the COVID-19 pandemic, the City experienced 5% in revenue growth in its governmental funds during 2020. The revenue growth can be attributed to several factors, but the primary reason is the continued growth in the City's tax base, supplemented by approximately \$3.6 million in federal coronavirus relief funds, which exceeded the reduction experienced in the fee-based revenues.

Income and property taxes typically account for 70-75% of total Governmental Fund revenues. During 2020, this held true, as income and property taxes accounted for approximately 68% of revenues. As noted above, despite the pandemic, both income tax (3%) and property tax (2%) revenues grew during 2020. The revenue growth in these areas can be directly attributed to continued development throughout the City, growth in the local economy, and strong property values. It is important that these two revenue sources continue to grow each year to support ongoing City operations.

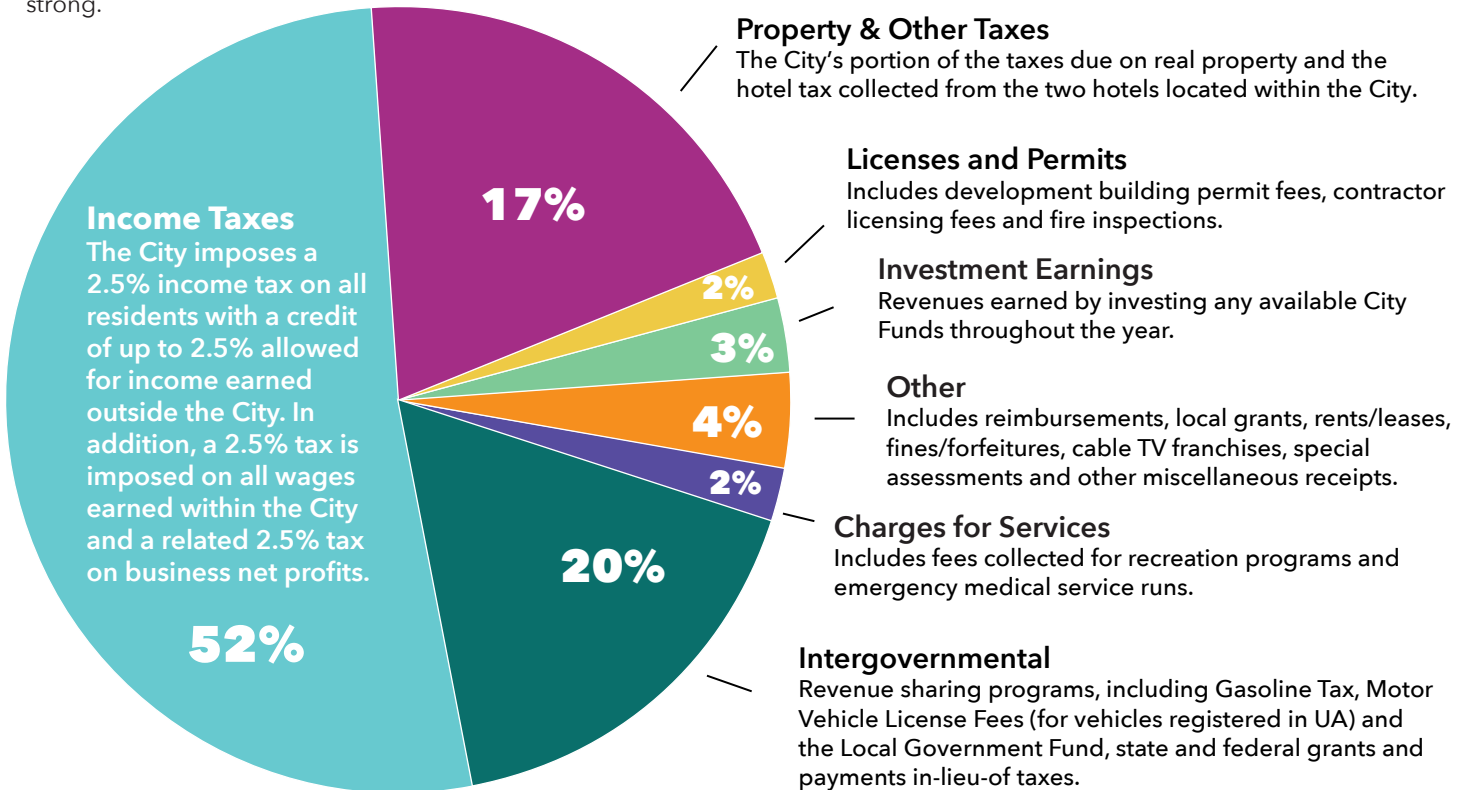
The City saw significant decreases in its license and permit fees and charges for services line items during 2020. Both of these areas are fee-based revenues. While the City's Community Development Department continued to see a strong investment into both residential and commercial structures in 2020, licenses and permits decreased by just over 45%. The primary reason for this decrease was actually not COVID-related, but the fact that 2019 revenues benefited from significant construction projects occurring across the City, namely the Upper Arlington Schools project and the Lane II project, which includes the City's second hotel. These revenues are expected to grow again in the future with the Arlington Gateway and Kingsdale projects beginning in 2021.

The Charges for Services revenue source was the most impacted by the pandemic (-45%). As noted in the chart, this revenue source primarily consists of recreation and other based fees. The pandemic forced the closure or suspension of most recreation-based programs, including the closure of the City's Senior Center. Fortunately, due to some resourceful thinking by the City's Parks & Recreation Department, some programs were modified and virtual programs were added to minimize the revenue loss.

## GOVERNMENTAL FUNDS - 2020 REVENUES BY SOURCE

The pie chart below depicts the significance each source of revenue has to the City's overall fiscal health. Income taxes lead the way and clearly indicate the importance of a proactive economic development program to keep this revenue stream strong.

Property taxes represent the second largest revenue stream, but as you will see on page 11, the portion of your property tax that is received by the City is comparatively small (8%).



Governmental Funds: Three-Year Revenue Summary by Type

REVENUE	2020	2019	2018
Property Taxes	\$10,325,689	\$10,110,457	\$10,184,595
Income Taxes	31,469,336	30,494,715	28,232,156
Intergovernmental	11,936,833	8,164,005	7,091,923
Charges for Services	1,286,625	2,129,521	2,063,261
Licenses and Permits	1,513,736	2,765,289	1,359,976
Investment Earnings	2,075,666	2,000,912	1,190,051
Other	2,617,425	2,818,534	2,606,537
<b>Total Revenues</b>	<b>\$61,225,310</b>	<b>\$58,483,433</b>	<b>\$52,728,499</b>

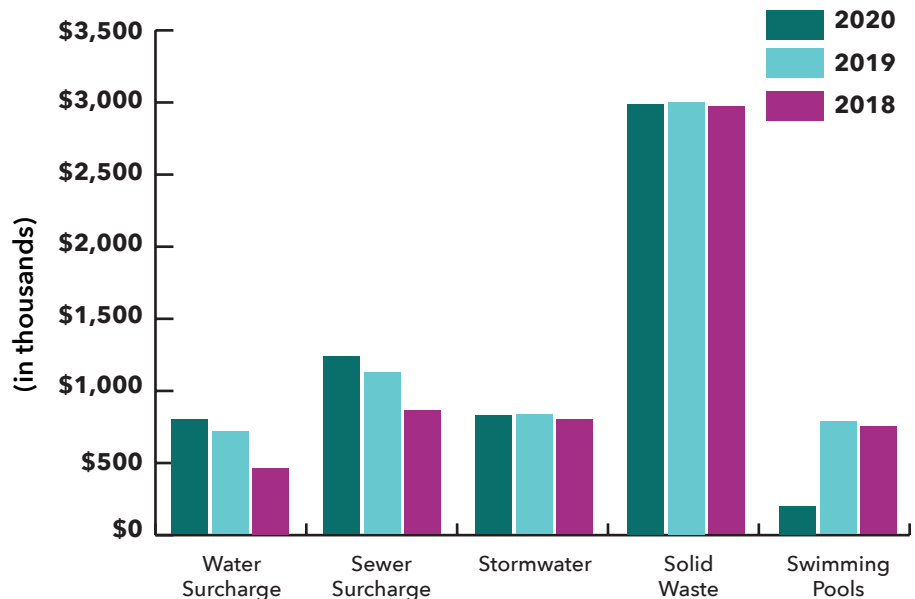
The table to the left presents a three-year summary of governmental revenues by primary type in order to provide a picture of what typical revenues look like annually. The revenues reflected are representative of the City's fund level statements and do not include bond proceeds or the City's Enterprise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

The City'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 since 2007 and remitted to Upper Arlington. In order to cover the increasing cost associated with these utilities, City Council adopted a 5% increase to both surcharges in 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. Other types of properties including multi-family, condominiums and commercial also pay a stormwater fee.
- 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 implemented a cart-based solid waste system with a standard pricing model.

- **Various fees** are charged to residents (and non-residents) for use of the City's three swimming pools. These revenues are dedicated to operations, maintenance and improvements.

Much like the governmental revenues, the business-type revenues were impacted by the COVID-19 pandemic. In 2020, the City saw a 6.5% decrease in its total business-type revenue. The primary reason for the decrease was related to limited availability of the City's swimming pools as result of the pandemic. Despite the reduction in revenue, City Council felt that it was important to open the City's pools, albeit in a restricted format.

On the other side of the spectrum, both the water and sewer surcharge revenue sources experienced increases during 2020. This can be attributed to increased usage within the City with more people at home during the pandemic. Additionally, the City collected its first full year of revenues at the rates that went into effect on January 1, 2019.

Stormwater and solid waste revenues remained steady in 2020, as expected.



## EXPENDITURE HIGHLIGHTS

A three-year comparison of the City's Governmental Fund expenditures is presented below. The table shows a continued focus on the City's 10-year Capital Improvement Program (debt service and capital outlay) and operating expenditures remaining under \$40 million annually. In total, 2020 Governmental Fund expenditures increased by \$4.2 million (6%) as compared to 2019. The overall increase in expenditures is a balance of increases in capital and related debt spending offset by a decrease in operational spending (-2%) as a result of the COVID-19 pandemic.

As mentioned above, the City continued its focus on capital improvements during 2020. Capital-related expenditures increased \$3.9 million when compared to the prior year. Of the \$25.4 million in capital-related expenditures, nearly 52% was spent on capital improvements associated with the City's 10-year Capital Improvement Program. The other significant portion of capital-related expenditures (nearly 42%) were related to public improvements related to the Lane II project. Remaining amounts

were spent on equipment or machinery for the various departments throughout the City.

Debt service payments also contributed to the increase in total Governmental Fund expenditures. The \$1.3 million increase is primarily related to the scheduled debt service payments affiliated with bond issuances related to the City's Capital Improvement Program.

### Governmental Funds: Three-Year City Expenditures by Type

EXPENDITURES	2020	2019	2018
Public Safety	\$18,872,987	\$18,405,985	\$17,688,108
General Government	10,018,445	11,169,685	10,210,143
Public Service	4,060,559	4,164,061	3,857,157
Parks & Recreation	3,623,087	3,878,949	3,708,024
Community Development	1,137,864	977,585	897,908
<b>Subtotal</b>	<b>\$37,712,942</b>	<b>\$38,596,265</b>	<b>\$36,361,340</b>
Debt Service Payments	9,656,131	8,388,962	6,974,495
Capital Outlay	25,425,974	21,518,114	16,621,708
<b>Total Expenditures</b>	<b>\$72,795,047</b>	<b>\$68,503,341</b>	<b>\$59,957,543</b>

**NOTE:** The data included in the review of revenues and expenditures provides an abridged summary of the City's detailed financial statements as presented in the AFR for the year ended December 31, 2020, prepared in accordance with Generally Accepted Accounting Principles, and does not reflect the Upper Arlington Community Improvement Corporation, a component unit of the City.

## GOVERNMENTAL FUNDS 2020 OPERATING EXPENDITURES

The pie chart below provides a view of expenditure types within the City's operating budget (excluding debt service and capital outlay expenditures). 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.



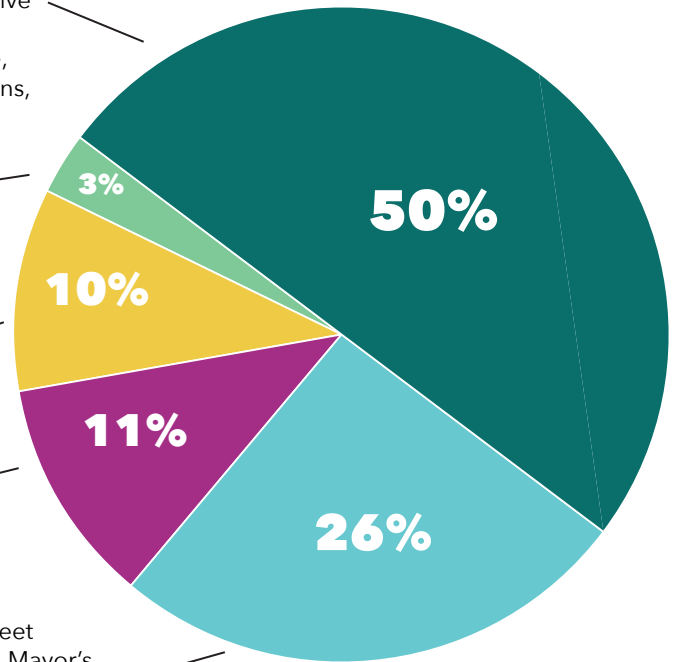
### Public Service

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

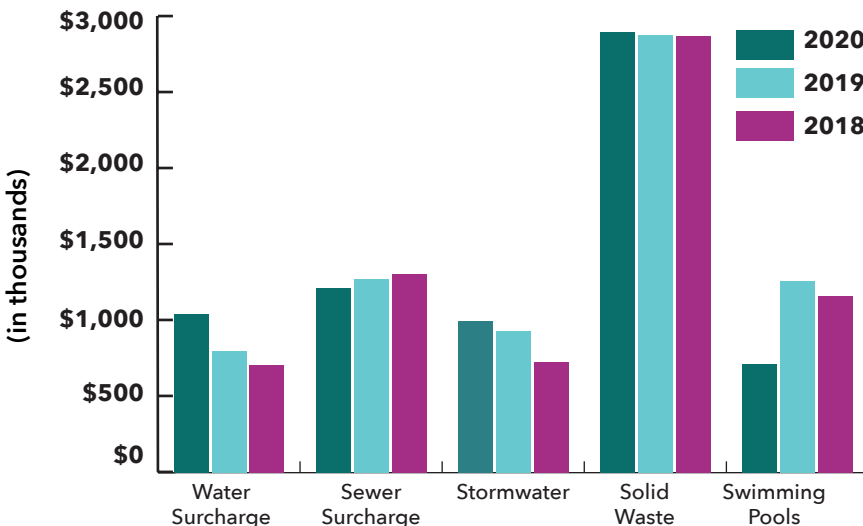


### General Government

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 (\$6.8 million) decreased during 2020 by approximately \$280,000, or -3.9%. The decrease can be attributed to a combination of limited operations at the City's swimming pools due to the COVID-19 pandemic, increasing costs for contractual services, and an increase in annual depreciation expense as result of a focus on utility-related infrastructure assets in the City's 10-year Capital Improvement Program.

It should be noted that the labor and benefit expenses in the City's utility funds (Water, Sewer, and Stormwater Funds) represents how the Public Works Division's workload was allocated during the year. These amounts regularly vary between the various utility funds, as well as between Enterprise and Governmental Fund activities, based on the specific types of projects budgeted for the year. During 2020, the labor costs in the City's utility funds actually decreased slightly as workload was forced to adjust as result of the pandemic.

## 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.

During 2020, the City saw total net position increase by approximately \$10.4 million (9%). The increase in overall net position can be primarily attributed to four main factors:

- Current and other assets increased in comparison with the prior year-end. This increase is primarily the result of an increase in cash and investments resulting from new bond issuances related to capital projects.
- Capital assets increased significantly in comparison with the prior year-end. This increase represents the amount in which capital asset acquisitions exceeded current year depreciation expense.
- Current liabilities and other long-term liabilities also increased significantly in comparison with the prior year-end. The increase in current liabilities is primarily due to an increase in accounts payable. The increase in other long-term liabilities is primarily the result of increases in bonds payable.

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 of the items listed above contributed to an overall increase in total net position during 2020, the unrestricted portion remains in the negative. The negative balance is the product of spending down 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 with the Governmental Accounting Standards Board (GASB) Statements No. 68 and 75 (see full AFR for further explanation).

Net Position (in thousands)	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Assets</b>						
Current and other assets	\$119,096	\$109,866	\$8,745	\$7,645	\$127,841	\$117,511
Capital assets, net	142,062	123,662	51,592	51,722	193,654	175,384
Net pension asset	-	14	-	2	-	16
<b>Total Assets</b>	<b>\$261,158</b>	<b>\$233,542</b>	<b>\$60,337</b>	<b>\$59,369</b>	<b>\$321,495</b>	<b>\$292,911</b>
<b>Deferred Outflows of Resources</b>						
Total deferred outflows of resources	12,423	20,457	556	823	12,979	21,280
<b>Liabilities</b>						
Current and other liabilities	6,304	4,140	288	85	6,592	4,225
Long-term liabilities outstanding	168,568	168,819	4,134	4,895	172,702	173,714
<b>Total Liabilities</b>	<b>\$174,872</b>	<b>\$172,959</b>	<b>\$4,422</b>	<b>\$4,980</b>	<b>\$179,294</b>	<b>\$177,939</b>
<b>Deferred Inflows of Resources</b>						
Total deferred inflows of resources	22,928	14,945	680	137	23,608	15,082
<b>Net Position</b>						
Net investment in capital assets	69,394	62,875	49,812	49,838	119,206	112,713
Restricted	37,226	35,233	-	-	37,226	35,233
Unrestricted	(30,839)	(32,013)	5,979	5,237	(24,860)	(26,776)
<b>Total Net Position</b>	<b>\$75,781</b>	<b>\$66,095</b>	<b>\$55,791</b>	<b>\$55,075</b>	<b>\$131,572</b>	<b>\$121,170</b>



## 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 46% 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, 2020 (in millions)

**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 City's \$47.1 million restricted fund balance primarily consists of a restriction of funds for future capital projects as outlined in the City's 10-year Capital Improvement Program (\$39.3 million). Other significant restrictions of the fund balance include funds for the repayment of debt (\$1.7 million) and the payment of police and fire pensions (\$3.3 million).

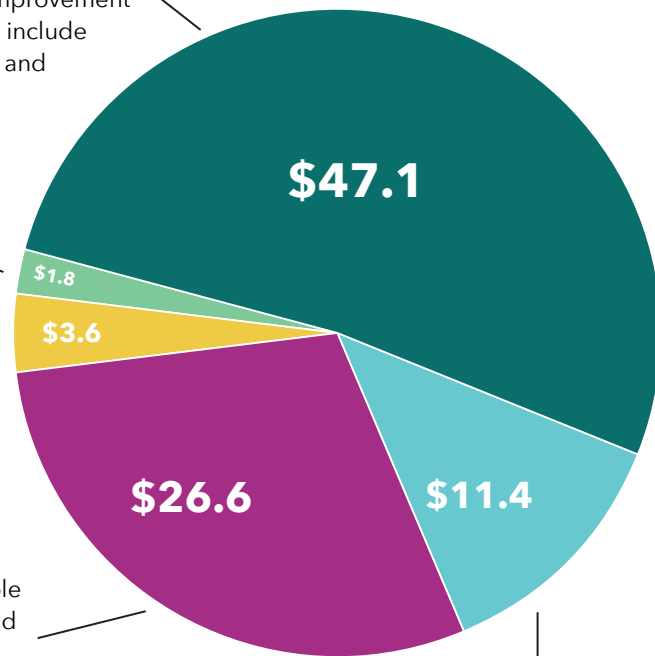
**Assigned** fund balances are constrained by the City's intent to use the funds for a specific purpose, but are neither restricted nor committed. The most significant portion of the \$1.8 million assigned fund balance is the amount Council has assigned to cover the 2021 General Fund budget deficit (\$1.1 million).

**Nonspendable** fund balances are amounts that are not in spendable form or are required to be maintained intact. The City's \$3.6 million nonspendable fund balance primarily consists of 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 balance represents the fund balance that is spendable and has not been restricted, committed, or assigned. The unassigned fund balance at December 31, 2020 totaled \$26.6 million for governmental funds.

**Committed** fund balances have constraints as to use 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 the \$11.4 million in committed fund balance is for capital projects (\$8.6 million). Other significant commitments include funds for economic development (\$941,085) and the City's self-insurance program (\$889,800).

While the fund balance is an important component of fiscal planning and factors into the City's debt rating, it is anticipated that the balance will decline over the next few years since expenditures are expected to rise at a faster pace than general revenue sources.



## TRIPLE A RATINGS

In 2020, for the 12th 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.

## THE VALUE OF INCOME TAX

Income tax is the largest source of revenue for the City, representing 51% 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.

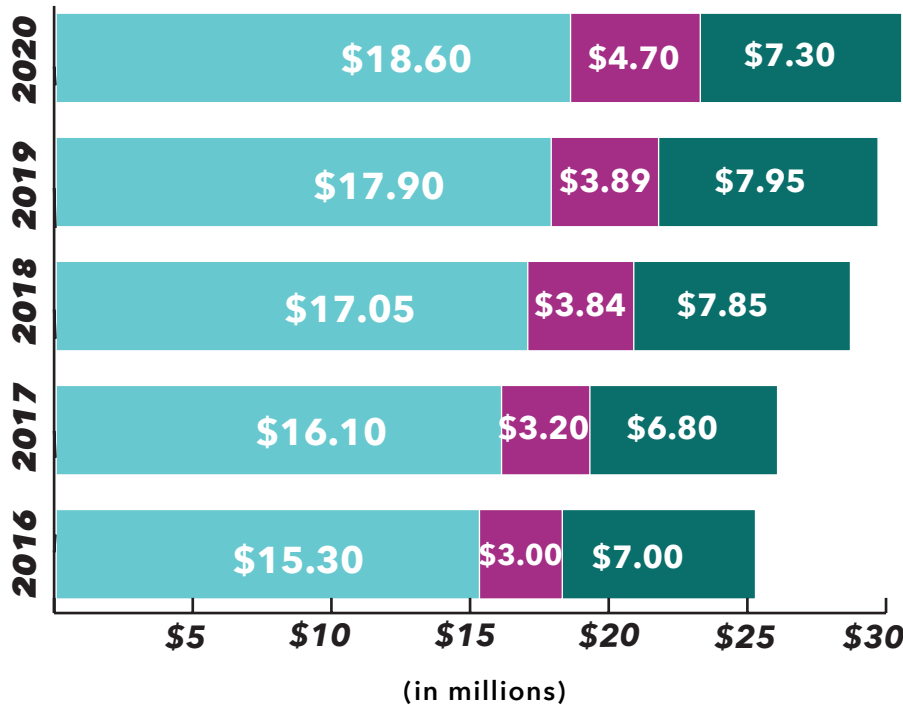
It is important to note, residents who work outside Upper Arlington pay their income tax to the community in which they are employed. However, if you are a resident of Upper Arlington but work in a community that has a rate less than 2.5%, the

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 81% 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 61% of the City's income tax revenues come from employer withholdings (residents and non-residents working in the City), while just over 15% 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%.

## CITY SPOTLIGHT: SUSTAINABILITY IN UA

The 2013 update to the City's Master Plan included the addition of a new section focused on sustainability, with objectives built around innovation, efficiency, wellness and environmental stewardship. Internally, a team of staff works to identify and implement programs that further the City's goals. Some recent accomplishments include:

- The installation of electric vehicle charging stations in 2020 - at the Municipal Services Center and the Public Service Center - to support the expansion of electric vehicle use in our community.
- The launch of a food waste composting program, with three conveniently located drop-off sites for resident use

- Early in 2021, the City began a three-year contract for its electricity supply derived solely from wind energy.
- The City has developed a park naturalized area management plan focused on expanding and caring for natural habitats within our parks - reducing maintenance needs, diversifying natural ecosystems and providing natural trails and passive activities for residents to enjoy.
- Several new recycling programs have been launched, including a fresh pumpkin collection and composting program timed with Halloween, a collection for holiday lights, and most recently, a drop-off site for recycling old electronics.

## WHERE YOUR PROPERTY TAXES GO

### Property Tax Breakdown

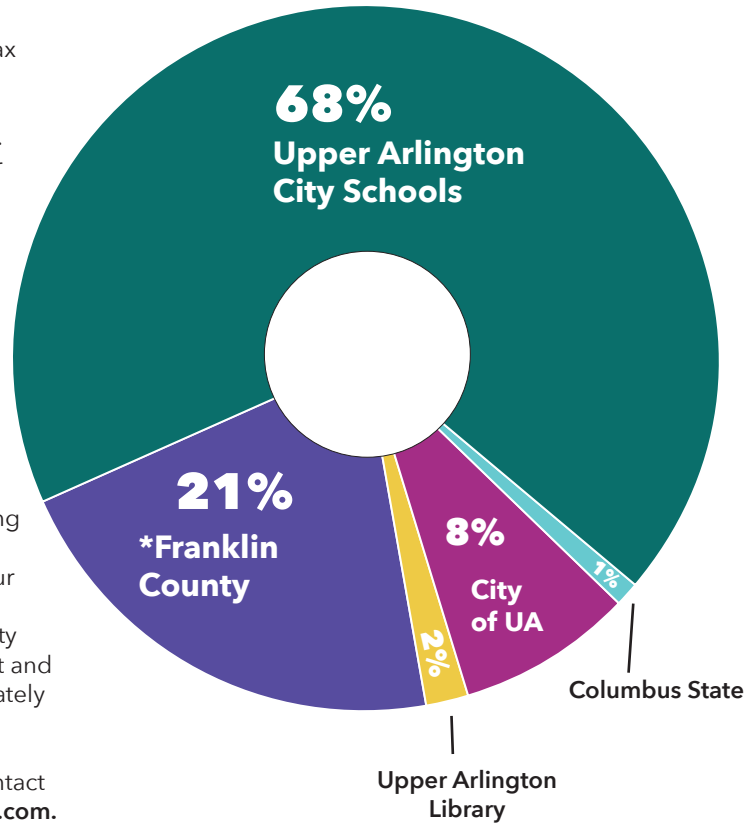
Taxing Authority	Effective Mills
City of UA	5.68
Franklin County*	14.50
UA Schools	46.21
UA Library	1.41
Columbus State	0.52
<b>Total</b>	<b>68.32</b>

\*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 17% of total governmental revenues.

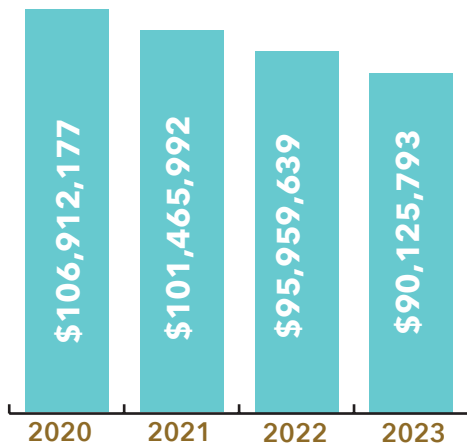
For more property tax information, including a calculator to determine your valuation and how your taxes are distributed, contact the Franklin County Auditor's office or visit [franklincountyauditor.com](http://franklincountyauditor.com).



## 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 2020, the assessed value of the City of Upper Arlington's property was \$2,296,386,080.

The City's general obligation debt, less amounts set aside for debt repayment, represents just 3.6% of the estimated taxable value of property. The table below right provides a summary of the type (including definitions) and amount of debt outstanding. The chart on the left provides the balance of bonds and loans payable outstanding.



### Two-Year Debt Summary (in thousands)

Debt Type	2020	2019
General Obligation Bonds	\$83,745	\$74,620
Special Non-tax Revenue Bonds	20,340	20,340
Loans	2,827	2,998
<b>Total Debt</b>	<b>\$106,912</b>	<b>\$97,958</b>

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

## CAPITAL IMPROVEMENTS

The seventh year of the City's 10-year Capital Improvement Program was implemented in 2020. Since the City expanded its Capital Improvement Program to 10 years, approximately \$74 million has been invested in our streets, waterlines, bridges, sanitary sewer lines, streetlights and traffic signals, with positive results. Additionally, the Engineering Division has been able to maximize the community's reinvestment in its streets and underground infrastructure by securing more than \$15.4 million in grants or low/no interest loans to help fund

projects for years 2015-2023, representing approximately 10% of the costs for the entire 10-year program. The most recent two-year street paving conditions rating exercise—a process for measuring road conditions to help prioritize projects—continues a trend of improvement: the average rating for pavement condition has shifted from 82.7 in 2012 to 89.9 in 2020 (out of 100); and curb conditions have improved from an average of 2.3 in 2012 to 1.8 in 2020 (on a scale of one to five, with one being the best condition).

## 2020 HIGHLIGHTS

### Street Maintenance Program

Routine road surfacing repairs designed to prolong the useful life of a street on sections of 11 streets.

### Street Reconstruction Program

Complete road reconstruction, new curb and gutter, driveway apron replacement and storm sewer improvements on sections of five streets.

### Mountview Road Improvements

Road, water and storm improvements, in addition to a new sidewalk, between Zollinger Road and Fishing Road.

### Lane II City Improvements

New water mains, curb, sidewalk and road improvements on Chester Road and Westmont Boulevard.

### Northwest Boulevard Storm Sewer Improvements

Upgrades to aging storm sewer infrastructure, between Barrington and Suffolk roads.

### Sustainable Sewer Solutions - Year 4

Updates to the City's sanitary sewer system, including lining, point repairs, and cleaning of main sewer lines, laterals and manholes.



Reed Road Park Playground

### Parks Improvements

Projects underway or completed in 2020 included:

- Devon Pool Mechanical Building - full replacement, new concrete decking and fencing.
- Reed Road Park Playground - complete replacement
- Miller Park Playground - complete replacement
- Veterans Plaza at Mallway Park - renovations, installation of new Veterans pillars and landscaping improvements. This project was made possible by a \$200,000 State grant, privately raised funds through the UA Community Foundation, and City support



Northwest Boulevard Storm Sewer Improvement Project

## 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 2020) 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. As noted previously, 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 2020, approximately 70% of the improvements were financed using debt proceeds and 30% were financed using existing cash, grants, etc.

### Three-Year Capital Investment Summary

Investment Type	2020	2019	2018
<b>Governmental Funds</b>			
Capital Equipment	\$1,426,027	\$871,728	\$887,261
Capital Improvements	22,770,188	19,132,099	14,647,341
<b>Subtotal</b>	<b>24,196,215</b>	<b>20,003,827</b>	<b>15,534,602</b>
<b>Enterprise Funds</b>			
Capital Equipment	-	-	278,628
Capital Improvements	-	-	9,524
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>288,152</b>
<b>Total Capital Investment</b>	<b>\$24,196,215</b>	<b>\$20,003,827</b>	<b>\$15,822,754</b>

## CITY SPOTLIGHT: EXPANDING UA'S SIDEWALK NETWORK

As residents increasingly indicate their desire for an expanded network of sidewalks and safe routes for bicyclists, the City's focus on alternate modes of transportation is yielding positive results. Some recent or pending examples are detailed below.

### Northam Park Shared-Use Path

The pathway along Northam Road at the south end of the park was expanded from a four-foot sidewalk to an eight-foot shared-use path in order to better accommodate pedestrians, strollers and bicycles in a safe manner.

### Mountview Road Improvements

The Mountview Road construction project included a new sidewalk on the west side of the street.

### Fishinger Road Improvements

On the horizon for 2022-23, the Fishinger Road reconstruction project—running from Tremont Road west to Riverside Drive—will add another vital sidewalk and shared-use path connection to one of our community's arterial streets.

### Sidewalk Maintenance Program

Entering its third year in 2020, the Sidewalk Maintenance Program provides for periodic inspections of existing



sidewalks to determine if repairs or replacement work is needed to keep the network in good working order. Once the targeted zone for the year has been inspected, homeowners are notified of any necessary repair work that is their responsibility. They may choose to secure a private contractor themselves to complete the work or can have the City coordinate repairs within its annual contract and bill them for their portion of the costs.

# UPPER ARLINGTON COMMUNITY CENTER

Over the years, the City had considered the community center issue on several occasions. As recreation and community centers succeeded in other communities, the City continued to hear of a desire for such a facility from our residents. The issue resurfaced through the 2018 Parks & Recreation Comprehensive Plan study process, with 81% of residents in a survey supporting a feasibility study for a multi-generational indoor recreation facility. In response, City Council formed the Community Center Feasibility Task Force in the summer of 2019 to lead a study on the issue.

With the assistance of a consultant team that has led similar studies in other communities, the Task Force undertook an extensive 18-month study process that focused on community engagement, transparency and financial analysis. On December 16, 2020, the Task Force shared its findings and recommendations with City Council, with its final report following early in January of 2021, concluding that it is feasible for the City to construct a community center without an increase in City income or property taxes.

In response to the Task Force’s conclusion and recommendations, on January 19, 2021 City Council approved legislation to bring the proposed Upper Arlington Community Center issue to a vote of the people on May 4, 2021, and to authorize various funding mechanisms that would enable the City to construct a community center without any increase in City income or property taxes.

On May 4, 2021, Upper Arlington voters approved the Upper Arlington Community Center Ballot Issue by approximately 80%. With this strong message of support, the City is proceeding with its plans to construct a community center on the site of the former Macy’s at Kingsdale.

Over the summer of 2021, the City will be selecting a design team that will take the vision of the Task Force and turn it into final plans. The detailed design and community engagement process is expected to take approximately one year to complete. Thereafter, construction is expected to last approximately two years, with a tentative opening goal of late 2024.



## COMMUNITY CENTER HIGHLIGHTS

The facilities and programming plan for the community center are a direct result of the input gathered by the Task Force early in the study process:

- It will serve as the central community gathering place for events and celebrations that residents have asked for.

- It will provide fitness, wellness, health and leisure opportunities for all ages and interests.
- It will provide seniors with new space that has been designed specifically to meet their needs, while also giving seniors access to many new programming opportunities.
- It will be affordable, through a combination of tiered membership levels, daily passes, rental fees and program fees.

- A scholarship fund will be built into the operations budget, to assist residents facing financial barriers to participation.

## The Facilities

The building program developed for the Kingsdale site is for a seven-story building. Five floors will be dedicated to the community center, with two floors set aside for professional office use.



## CONSTRUCTION FINANCIALS

The budgeted construction cost of \$54 million includes 23% for contingencies and inflation. The City anticipates paying for the facility using a combination of funding sources:

- \$40 million in long-term debt
- \$5.4 million in private funds raised through the Upper Arlington Community Foundation
- \$8.8-\$9 million in City reserves

The debt service for this investment is estimated to be approximately \$2.3 million per year, and is expected to be repaid using:

- Tax Increment Financing (TIF) revenues generated by the Kingsdale mixed-used development and other TIF districts around the City.
- Annual hotel/motel revenues from the hotels on Lane Avenue.

- Rent and income tax revenues generated by the office spaces located within the building.

## THE OFFICE SPACE

The two floors of rentable office space would total approximately 50,000 square feet. After issuing a request for proposals concentrated on health care providers, the City is in discussions with a preferred partner team to lease at least half of this space and to augment services within the community center.

Any remaining leasable space will be highly marketable, since the Kingsdale site is surrounded by amenities, including direct access to the community center.

## OPERATION FINANCIALS

A business model was developed based on usage and pricing structures for comparable facilities in other communities. Some of the keys to success include:

- A focus on spaces that can be used for multiple purposes
- Incorporating senior programming as part of a larger facility
- Achieving staffing and operations efficiencies by bringing programs within one location
- Providing a combination of memberships, drop-in fees, programming and facility rentals.

A base-case pro-forma model projects full cost recovery, based on the proposed programming, a 3% market capture for memberships and 70% program capacity. Under this model, the current \$530,000 subsidy that supports Parks & Recreation programming would no longer be needed.

A Stress Test pro-forma projects a cost recovery model of approximately 75%. This exercise was undertaken to account for potential down years (recession, pandemic, etc.). Under this model, the subsidy necessary to support operations would increase the current subsidy by approximately \$250,000.

While the final programming will be determined as part of the detailed project design process, in general the community center will include:

- Entry/lobby, indoor pool, multi-purpose event/party space, locker rooms
- Fitness/exercise spaces
- 3 gymnasiums (1 multi-purpose)
- Adventure play, teen space, child watch
- Walking/running track
- Senior program, shared classrooms
- Event hall/ meeting space
- Outdoor multi-purpose terrace

**For full details of the Upper Arlington Community Center and to track this project's progress, visit [upperarlingtonoh.gov](http://upperarlingtonoh.gov).**

**BUSINESS HOURS**

**Municipal Services Center**

Monday-Friday, 8 am-5 pm

**Public Service Center**

Monday-Friday, 7 am-4:30 pm

# 2020 Popular Annual Financial Report

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

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**Award for Outstanding Achievement in Popular Annual Financial Reporting - 15 years**

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**Certificate of Achievement for Excellence in Financial Reporting - 33 years**

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**Distinguished Budget Presentation Award - 30 years**

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

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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, 2019

*Christopher P. Morill*

Executive Director/CEO

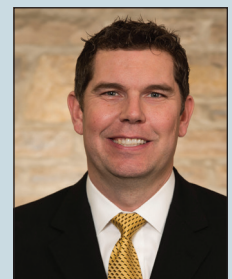
## 2021 UPPER ARLINGTON CITY COUNCIL



Front Row (from left): John J. Kulewicz, Michele M. Hoyle, Jim Lynch. Back Row (from left): Brendan T. King (President), Kip Greenhill (Vice President), Michaela Burriss, Brian C. Close



**Steve Schoeny**  
City Manager



**Brent Lewis**  
Finance Director

This Popular Annual Financial Report (PAFR) is intended to summarize the financial activities of the City of Upper Arlington and is drawn from the financial information appearing in the 2020 Comprehensive Annual Financial Report (AFR). Copies of the AFR are available at the libraries and can be viewed on the City's website as well as a digital version of the PAFR. 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.