

Welcome to this my twelfth State of the City address. The theme that I have chosen for this year's address is, "Strength is in the numbers." The definition of strength, as it applies to my comments is: "the quality that allows one to deal with problems in a determined and effective way."

When I first took office in 2004, the City of Hilliard's finances were facing what many individuals at the time referred to as a "structural deficit." Simply put, the revenues that we were collecting were not going to be sufficient to sustain the expenditures necessary for us to provide even the most basic governmental services to our residents.

I didn't agree with that notion and thus we embarked on an aggressive program to foster economic development in the City of Hilliard. This approach I felt would result in increasing revenues without the need to increase taxes.

This was not a simple process. The City had shunned growth from all sectors of the economy under the leadership of my immediate predecessor. The development and business communities were not interested in working with a city that had clearly adopted a "no growth policy."

Our first endeavor to turn the tide on this misguided notion of "no growth" was to work with BMW Financial Services to keep their operations in central Ohio. They were looking both within the region and outside the State of Ohio, for a new place to call home.

We had the available land, what we didn't have was the necessary infrastructure in place to support a new 170,000 square foot office building that would bring in excess of 600 jobs to the City of Hilliard.

Before I continue, I think it is important to review why jobs are so critical to the operation of our city government. The pie chart you are viewing shows you the breakdown of our General Fund revenues averaged over the past five years. It is clear to see that the overwhelming majority of our funding comes from the income tax, which is collected from individuals that work within the corporate limits of Hilliard. Roughly 68% of our funding is derived from the income tax.

Some individuals believe that we rely mostly on property taxes to provide city services and yet our portion of the property tax, which is 1.6 mils, or \$1.60 per \$1,000 of property valuation represents only 6% of our total General Fund revenues.

To put this into perspective, on an average home value of \$200,000, which translates into an assessed value of \$70,000, the portion of property taxes collected for city operations is \$112.00 annually ($\1.60×70).

That funding alone would not cover the cost of one maintenance technician working to clear our streets during a single winter snow event. It would not cover the cost of sending a police officer to respond to a call for service. It wouldn't even cover the cost of a Recreation Aide spending a day with our youth or our very active senior population

My point is straightforward. Jobs in our city pay for the multitude of services we provide to our residents. And yet, many of our residents who work for employers located outside of the City of Hilliard don't pay any income tax to the City. You may ask, "How can that be?" . . . It's simple you pay income tax to the city where your employer is located.

Hilliard also gives 100% credit to you for income taxes paid to the jurisdiction that your employer calls home. So in most of those instances, the only tax revenue Hilliard may receive from you is that 1.6 mils of property tax that goes to the city where you reside.

Now, back to the point at hand, in order for the City of Hilliard to generate sufficient revenue to support both basic government services and the many quality of life amenities that are available in the city, we need to keep our existing employers, sustain an environment that supports their growth, and attract new employers to our community.

Therefore, in the BMW example, we had plenty of land for development, but without roads or water and sewer lines this land was great for growing corn or soy beans, but not for growing jobs and the resulting income tax which is the lifeblood of our community.

So, we embarked on a program to develop the infrastructure required to foster commercial development. In order to build the infrastructure necessary to allow for the construction of the BMW Financial Services facility the city issued \$11 million dollars in new debt to extend Britton Parkway, and water and sewer lines from Hayden Run Road to the existing terminus of Britton Parkway at the corporate limits of Columbus and Hilliard.

We started behind the 8-ball. With no infrastructure in place and no alternate funding mechanisms our only choice was to issue the debt in order to build the infrastructure or lose the BMW project and risk our shot at future commercial development. At that time we were looking at estimates for constructing the infrastructure needed to position Hilliard to truly compete for new commercial development that exceeded \$70 million dollars.

This of course introduced new concerns regarding the city's capacity to issue new debt without exceeding the statutory debt limits established by Ohio Revised Code. Not to mention the fact that we simply did not have the revenues to support such a monumental debt load.

During my tenure as City Council President the Council authorized the development of Trueman Boulevard; here too, the lack of infrastructure was a significant deterrent to any new commercial development. This was the first time that we utilized a financial mechanism for constructing a major public infrastructure project known as Tax Increment Financing (TIF).

We worked closely with the Hilliard City Schools and jointly approved a TIF that was designed to generate a specific source of funding to retire the debt that the city was issuing to pay for the infrastructure that would allow for commercial development along Trueman Boulevard.

When the city issued debt to finance the construction of Trueman Boulevard this further impacted our ability to issue new debt for the many infrastructure needs that were essential to allow Hilliard to become a true competitor for new commercial development in central Ohio.

Development of Trueman Boulevard, like the BMW example, magnified the undesirable reality that when it came to economic development and growing the quality of life offered in the City of Hilliard we could only react.

To be successful and truly competitive we needed to develop a strategy that was more proactive. The first step was to find a way to build the roads and infrastructure necessary to make the corn fields bordering I-270 and elsewhere accessible to new commercial development.

The fact is, without the TIF to generate funds from the increase in property value from the commercial development along Trueman Boulevard, there would be no Trueman Boulevard, no commercial development, no jobs and no interest on the part of the development community to locate new businesses in Hilliard.

What have we accomplished with Trueman Boulevard? So far it is home to \$49 million worth of new commercial construction – private sector investment in our community. An additional \$40 plus million worth of new construction is underway.

The businesses along Trueman support hundreds of jobs ranging from medical, professional, office, support services and retail occupations. Combined, these businesses and their employees pay nearly \$1 million annually in income taxes.

The year prior to the construction of Trueman Boulevard the total value of the land from Davidson to Fishinger was just around \$2 million and total property taxes paid to all taxing entities was only \$50 thousand per year. Even with a portion of this new value subject to Tax Increment Financing, the real estate taxes paid by the businesses along Trueman Boulevard are now more than \$350 thousand per year – that's an increase of 600% over the past 10 years. Annual sales from the businesses along Trueman are estimated at \$80 million which translates into \$6 million in sales tax revenue for the State of Ohio, Franklin County and COTA.

Finally there's the unquantifiable value to all residents of Hilliard from the improved vehicular access, shopping, dining, health care and other services provided by the businesses located along Trueman. With about 20 acres remaining to be developed the future value along Trueman Blvd will be well over \$100 million dollars and more than 300 new employment opportunities will be created in Hilliard.

Having issued \$21 million in new debt to pay for the construction of Britton Parkway from Hayden Run to the north and to pay for construction of Trueman Boulevard from Fishinger Road to Davidson Road, we now faced the very real threat of exhausting our available debt capacity while trying to provide the very infrastructure necessary to generate the revenues needed to support continued growth and the provision of basic governmental services.

It was at this point that we modified our financing policy for TIF supported infrastructure. We began requiring the developer to construct the required public infrastructure; previously infrastructure construction would have been done by the City as a public project. In addition, whenever possible we leveraged the developer's access to capital so that they would also carry the debt on the construction of the infrastructure.

The City would then TIF the development and direct the future incremental increase in land value resulting from the new development value to the developer to repay them for constructing the public infrastructure. This policy allowed the city to continue development of critical infrastructure without directly impacting our debt limitation since we were no longer issuing the debt to pay for the infrastructure.

There is an added benefit to this strategy as well, it further protects the city from development risk. The risk of the developer not providing sufficient increased value from the project to pay for the infrastructure improvements.

It is important to recognize that Tax Increment Financing does not reduce revenue already being received by other taxing authorities. They continue to receive all of the property taxes they were getting before the development was constructed. In many situations like the Trueman Boulevard example they also realize an increase in tax revenue.

Under a TIF scenario the increase in property value that results from the private sector development, however, is first designated to pay for the public infrastructure without which the development would not have been possible. Tax Increment Financing is just one, albeit important, economic development tool available to counties, cities and townships.

We have been prudent and have effectively used this tool and the results are evident in every corner of the City. Twelve years ago we did not have the economic base to weather a downturn, let alone grow our local economy.

I am proud to report that just twelve short years later the City of Hilliard is much better off – whether you focus on quality of life, maintenance and growth of property values, or quality of governmental services, we are better off in each and every category. This is by no means a signal to relax but, as our economic development needs evolve, so too will the tools we employ to grow our community.

We have been successful in attracting new commercial development for a number of reasons including our ability to be proactive and a “no nonsense approach” to eliminating obstacles to development, while promoting an efficient and fast-paced approval process. This has made Hilliard extremely attractive to the business and development community and the results are evident.

The strength is truly in the numbers. Since taking office in 2004 more than \$200 million worth of private commercial construction has been invested in our community; over 6,000 jobs have been attracted; over 700 acres have been opened up for development by the construction of Trueman Boulevard, Britton Parkway and Anson Drive; Hilliard-Rome Road is no longer a congested nightmare; the severe traffic back-ups at the triangle have been addressed with the construction of the roundabouts and further improvements are underway along Scioto-Darby Road; Northwest Parkway is an improved through street and the Hilliard Family Aquatics Center is among the finest publicly operated pools in Central Ohio.

So, let's review the numbers:

- From 2004 – 2014 the city has invested in excess of \$131 million in capital improvements.
- We have added more than 6,000 high quality jobs within our corporate limits and diversified our economic base.
- Last year JD Equipment expanded its operations and located its corporate headquarters to Hilliard bringing 34 new jobs
- Equity relocated its corporate offices to Hilliard with 100 new jobs
- Verizon Wireless continued its hiring in Hilliard and is now poised to significantly exceed its initial jobs projections of 2,000 employees
- \$105 million worth of new commercial construction is currently underway in Hilliard
- \$45 million in additional construction is planned to begin by the summer construction season
- \$95 million of yet more construction is in various stages of the development pipeline including a new Hotel in Mill Run
- We are nearing the end of just the first quarter of the year yet our economic development efforts already have projects pledged to create 105 new jobs
- Our economic development pipeline includes an additional 173 jobs
- We have achieved investment rating increases from both Moody's Investment Services (Aa1) and Standard and Poor's (AA+)
- We have received the prestigious Certificate of Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada for the last 23 years
- Our income tax revenues have increased 70% since 2003
- Our reserve fund balance of \$5 million exceeded our policy guideline of 25% of budgeted expenditures for the first time in twelve years
- Our continued investment in quality of life amenities is evidenced by the construction of Hilliard's Station Park (\$5 million), slated to open in August of this year,
- the Hilliard Civic and Cultural Arts Center (\$1 million), which is undergoing major renovations during 2015,
- and the purchase of the 100 + acre Greener property (\$4 million) from the Hilliard City Schools for development as athletic fields

- Recognition by the Mid Ohio Regional Planning Commission of our Comprehensive Plan as an example of best practices in the development of a planning document produced within the region; and
- Our efforts to streamline the bureaucracy, enhance efficiency, reduce long-term costs and consolidate operations with other Central Ohio entities have all worked to make Hilliard a strong, viable, attractive and sought after home for businesses and residents alike.

Our strength is truly in the numbers! Through good governance and responsible stewardship of public funds, Hilliard is a much better place to live, work and play than it was twelve years ago. And it continues to get better and stronger with each passing year.

Thank you for attending, good night and God bless.