

CITY OF FAIRFIELD, OHIO
2020
ANNUAL INFORMATION STATEMENT

in Connection with Bonds and Notes of



This Annual Information Statement pertains to the operations of the City of Fairfield for the calendar year 2019 (where possible, 2020 data has been provided).

Questions regarding information contained in this Annual Information Statement should be directed to Scott Timmer, Director of Finance, Municipal Building, 5350 Pleasant Avenue, Fairfield, Ohio 45014.

The date of this Annual Information Statement is August 1, 2020.

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CITY OF FAIRFIELD, OHIO

INTRODUCTORY STATEMENT

The Annual Information Statement of the City of Fairfield, Ohio (the “Annual Statement”), including the Appendices hereto, has been prepared by the City of Fairfield (the “City”) to provide, as of its date, financial and other information relating to the City. The City intends that this Annual Statement be used to satisfy obligations pursuant to Continuing Disclosure Agreements and Certificates entered into by the City in compliance with the Securities and Exchange Commission Rule 15c2-12 (the “Rule”) for outstanding obligations of the City. Certain information contained herein is not required to be supplied under the Rule and the City is under no obligation to provide this additional information in the future.

The City has not bound itself contractually to furnish current information, in the form of a statement such as this or otherwise, on a continuing or regular basis and does not covenant to do so except for specific Continuing Disclosure Agreements entered into for specific transactions (see “CONTINUING DISCLOSURE” herein). From time to time the City may elect to provide such information to parties named on a mailing list maintained by the City for such purpose. Names may be entered on the mailing list by writing Scott Timmer, Director of Finance, Municipal Building, 5350 Pleasant Avenue, Fairfield, Ohio 45014 or via email at stimmer@fairfield-city.org.

All financial and other information presented herein has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as might be shown by such financial and other information will necessarily continue in the future.

References herein to provisions of Ohio law, whether codified in the Ohio Revised Code (the “Revised Code”) or uncodified, or the Ohio Constitution, are references to such provisions as they presently exist. Any of those provisions may from time to time be amended, repealed or supplemented.

Certain information contained in this Annual Statement is attributed to the Ohio Municipal Advisory Council (or “OMAC”). OMAC compiles information from official and other sources. OMAC believes the information it compiles is accurate and reliable, but OMAC does not independently confirm or verify the information and does not guaranty its accuracy. OMAC has not reviewed this Annual Statement to confirm that the information attributed to it is information provided by OMAC or for any other purpose.

Certain information contained in this Annual Information Statement is attributed to the County Auditor of the county or counties in which the City is located. The County Auditor maintains records of certain tax information for subdivisions within its jurisdiction, which the City believes to be accurate and reliable, but such information is not independently confirmed or verified and the accuracy thereof is not guaranteed. The County Auditor has not reviewed this Annual Information Statement.

Any addresses of or links to web sites, which may be contained herein, are given for the convenience of the user only. The City has not participated in the preparation, compilation or

selection of information on these websites, and therefore presents no warranties or representations of the material contained therein. Further, the City assumes no responsibility or liability for the contents thereof.

As used in this Annual Statement, “debt service” means principal (including mandatory redemptions) of and interest on the obligations referred to and “State” or “Ohio” means the State of Ohio.

THE CITY

The City of Fairfield, located just north of Cincinnati, Ohio, was incorporated as a village on July 10, 1954, and became a city on October 20, 1955. As of the 2010 Census, the City had an estimated population of 42,510 and is able to provide a full range of services to its citizens, businesses and industries. The City is comprised of 20.874 square miles of land and 0.120 square miles of water. The City has the 23rd largest land area of any city in Ohio.

City Government

The City has operated under its Charter since January 1, 1980, but is also subject to the general statutes of the State of Ohio that are applicable in all municipalities in the State. In addition, the City may exercise all powers of local self-government permitted under Article XVIII, Section 3, of the Ohio Constitution.

The legislative power of the City is vested in a Council of seven members, three of whom are elected from the City at large and four of whom are elected from wards of substantially equal population. All members of Council are elected for terms of four years commencing on the first day of January following their election.

The Mayor is also elected to a four-year term and is the presiding officer of the Council, but does not cast a vote upon matters before Council unless the vote of the members results in a tie. In addition to duties as the presiding officer of the Council, the Mayor acts as the ceremonial head of the City, and appoints members of committees created by Council. The City Council appoints the City Manager, Law Director and Clerk of Council.

The City Manager is the chief executive, administrative and law enforcement officer of the City. The City Manager is charged with responsibility for enforcing the laws and ordinances of the City. The City Manager appoints and removes all heads of departments and all subordinate officers and employees of the City, except the City Law Director. The City Manager also exercises control over all departments created by the City Council.

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The current elected and appointed City Officials are:

<u>Legislative</u>		<u>Initial Consecutive Term Commenced or Appointed</u>	<u>Present Term Expires</u>
Mayor	Steve Miller	01/01/14	12/31/21
Council Member	Dale Paullus	01/01/19	12/31/23
Council Member	Bill Woeste	01/01/14	12/31/21
Council Member	Chad Oberson	01/01/14	12/31/21
Council Member	Leslie Besl	09/12/17	12/31/23
Council Member	Terry Senger	01/01/19	12/31/23
Council Member	Tim Abbott	01/01/16	12/31/23
Council Member	Mark Scharringhaus	03/03/20	12/31/21
Clerk of Council	Alisha Wilson	06/01/12	Indefinite

Executive

City Manager	Mark Wendling
Assistant City Manager	Dan Wendt
Finance Director	Scott Timmer
City Law Director	John Clemmons
Police Chief	Stephen Maynard
Fire Chief	Donald G. Bennett
Director of Public Utilities	Adam Sackenheim
Director of Public Works	David Butsch
Parks and Recreation Director	Tiphanie Howard
Development Services Director	Greg Kathman

General Government

Of the offices that can be grouped under the category of general government, in addition to the Council and the City Manager, four officials are of particular pertinence.

The Assistant City Manager is appointed by the City Manager and is responsible for all personnel functions. The Assistant City Manager is the principal assistant to the City Manager and performs the City Manager's duties in the event of the City Manager's absence.

The Director of Finance is appointed by the City Manager and performs the following functions: establishing accounting systems, financial records and reports used by the offices, departments, divisions, bureaus, boards and commissions of the City; assisting the City Manager in the preparation and submission of appropriation measures, estimates, budgets, capital programs and other financial matters; providing complete information concerning the financial affairs and

status of the City as required by the City Manager or the Council; and providing full and complete information and assistance concerning the finances or accounting systems or records of any office, department, division, bureau, board or commission of the City as requested by the City Manager.

The Development Services Director is appointed by the City Manager. The Development Services Department is made up of the department for planning, economic development and the building division. The director has the following powers, duties and functions: advises the City Manager on matters affecting the development, redevelopment and renewal of the City; coordinates the work of, and advises the Council, the City Manager, the Planning Commission and other departments, boards and commissions of the City in the development and modification of comprehensive plans for the City; advises, by way of review and recommendation, the Council, the City Manager and the City's departments, boards and commissions concerning programs and activities to implement the comprehensive plans of the City; and advises and assists the Planning Commission in the exercise of its powers, duties and functions.

The Public Works Department Director oversees the Public Works Department, which includes the divisions of Construction Services and Streets & Transportation. The Public Works Director also oversees the duties and functions of the City Engineer.

Administration of Justice System

As a part of the administration of the justice system, the City maintains the Municipal Court. The Law Director is designated by Ohio law and the City Charter as the chief legal counsel for all City officers, boards and agencies, including the Council, the Director of Finance and the City Manager.

The Clerk of Courts keeps all official records of the Municipal Court. The office of Clerk of Courts operates on a system of fees charged for services and is essentially self-supporting. Butler County operates the Court of Common Pleas and Ohio's Twelfth District Court of Appeals. The United States District Court for the Southern District of Ohio and the United States Sixth Circuit Court of Appeals are located in Cincinnati.

The Chief of Police is the chief administrative officer of the Police Department and the final departmental authority in all matters of policy, operations and discipline. As such, the Chief of Police exercises all lawful powers of the office and issues such lawful orders as are necessary to assure the effective performance of the department. Through the Chief of Police, the department is responsible for the enforcement of all laws and ordinances coming within its legal jurisdiction. The Chief of Police is responsible for planning, directing, coordinating, controlling and staffing all activities of the department for its continued and efficient operation, for the enforcement of rules and regulations within the department, for the completion and forwarding of such reports as may be required by competent authority, and for the department's relations with local citizens, the City government and other related agencies.

City-Owned Utilities

The Fairfield Department of Utilities provides water and sewage treatment on a citywide basis. It employs 40 full-time employees and its 2019 annual payroll was \$1,647,084 for the Water Division and \$1,773,942 for the Wastewater Division. The Department operates one water plant with a production capacity of 9.1 million gallons per day, with an average daily demand of 5.5 million gallons per day. Wastewater is treated by the City's one treatment plant, which has a treatment capacity of 10 million gallons per day and a hydraulic capacity of 20 million gallons per day. For 2019, the average daily demand at the wastewater treatment plant was 5.6 million gallons per day. The Department maintains approximately 180 miles of water lines and 180 miles of sewer mains.

The capacities of the treatment plants were most recently expanded in response to master plans developed for both Water and Wastewater Divisions, which evaluated capacities in relation to anticipated growth demands. Expansions of both were completed during the period from 1994 to 2005 and all expansions were approved by the Ohio Environmental Protection Agency ("OEPA"). The improvements to the wastewater system included a plan to collect, convey and treat peak wet weather flows. As part of this program, a 25 million gallons per day pumping station was constructed to pump wet weather flows to equalization basins adjacent to the plant. As part of this system, 45,000 linear feet of large diameter, gravity relief sewers and force mains were constructed to convey flows to the equalization basins. The equalization basins were constructed to retain approximately 9 million gallons of wet weather flow. In addition, the treatment plant was upgraded to provide a treatment capacity of 10 million gallons per day and 20 million gallons per day for wet weather flows.

Financial Management

The Council is responsible for providing and managing the funds used to support the various City activities. The Council exercises its legislative powers in budgeting, appropriating, levying taxes, issuing bonds and notes and letting contracts for public works and services to provide this financial management.

Income Tax and Other Major Fees and Charges

The one and one half percent (1.5%) municipal income tax was the largest source of revenue for the City in 2019, and sewer and water charges were the second largest source of revenue. Other taxes, including ad valorem property taxes collected by Butler County and returned in part to the City (see "Ad Valorem Taxes" herein), and state-shared taxes accounted for the third largest portion of the City's revenues.

Management of City Facilities

The Council has certain responsibilities for the management of most City facilities, including the Municipal Court, administrative and general City government facilities.

Personnel Administration

Personnel wages and personnel-related expenses of \$18,806,341 accounted for the largest share of the City's general fund expenditures in 2019 at approximately 60% of all expenses. Council controls the offices of City Manager and City Law Director and also funds all other personnel costs of the City, with the power to approve or disapprove salary and wage appropriations submitted in the operating budgets for all City employees.

Employee Relations

As of December 31, 2019, the City of Fairfield employed approximately 275 full-time and 277 part-time and seasonal employees in various job classifications. Its 2019 annual payroll was \$25,461,800.

Under Chapter 4117 of the Ohio Revised Code (the "Collective Bargaining Law"), public employees of the State and many local subdivisions (including the City) have the right to organize, bargain collectively and have union representation. The employer must recognize and grant exclusive representation rights to a representative approved by the State Employment Relations Board ("SERB"). SERB approval may be granted either after fulfillment of the requirements promulgated in its regulations or by majority approval of the employees at a SERB-supervised election. The employer has the right to insist on an election. Any agreements under the Collective Bargaining Law must be in writing, must specify a grievance procedure and cannot exceed three years in duration.

The Collective Bargaining Law also designates those actions that constitute unfair labor practices and prescribes procedures for their remedy. It also sets forth dispute resolution procedures for contract negotiation impasses, including arbitration or other mutually agreeable methods. If the impasse persists after conciliation procedures, then police, fire, correctional officers and other public safety employees must take the dispute to binding arbitration and do not have the right to strike. All other employees have the right to strike after 10 days written notice.

The City has labor agreements with the following employee unions:

<u>Union</u>	<u>Type of Personnel Covered</u>	<u>Number of Employees Covered</u>	<u>Date Contract Commenced</u>	<u>Date Contract Expires</u>
Fire IAFF 4010	Fire	30	4/1/17	3/31/20*
AFL-CIO Local 20	Wastewater	22	3/1/17	2/28/20*
FOP Lodge 166	Police	60	4/1/19	3/31/22
AFSCME	Water, Street, Park, Clerical	91	4/1/17	3/31/20*

* Currently in mediation(s)

The City knows of no other union organization seeking recognition at this time.

City Services and Responsibilities

Welfare and Public Assistance. The Butler County Job and Family Services administers the public welfare functions within the county, including services to residents of the City.

Butler County also provides public assistance via the Board of Mental Health and Mental Retardation, the Soldiers' Relief Commission and the County Children's Services Board.

Health. There is one acute care hospital in the City, Mercy Hospital of Fairfield, which consists of 229 beds. There are several other acute care hospital facilities in Butler County, including Fort Hamilton Hospital, Bethesda Butler Hospital, Butler County Medical Center, Children's Hospital and Christ Hospital. There are a total of 39 hospitals in the Cincinnati Metropolitan Area.

Atrium Medical Center is located on a health and technology campus located approximately a quarter mile east of Interstate-75 at the Middletown exit in Warren County. The first phase of the 200-acre campus included a new hospital, an attached professional office building, a cancer center and the Greentree Health Science Academy.

The Butler County Health Department provides various health related services throughout the County, including the City, such as home nursing, food service and sanitary inspections.

Demographic Information

Population. The estimated 2018 population of the City was 42,632 people. Statistics from the last four U.S. Censuses and the 2018 American Community Survey of population are indicated below.

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2018</u>
City of Fairfield	30,777	39,729	42,097	42,510	42,632
Butler County	258,787	289,199	332,807	368,130	378,294
Cincinnati MSA	1,401,491	1,452,656	1,634,600	2,114,580	2,190,209

Source: U.S. Bureau of the Census, 2017 American Community Survey.

ECONOMIC INFORMATION

Business and Industry

General. Because the City lies at the southern boundary of Butler County, residents work in Butler County and in Hamilton County, immediately to the south. Both counties are part of the Cincinnati Metropolitan Area (the "Metropolitan Area"). The Metropolitan Area includes 15 counties: Hamilton, Butler, Warren, Clermont, and Brown counties in Ohio; Boone, Bracken, Campbell, Kenton, Gallatin, Grant and Pendleton counties in Kentucky; and Dearborn, Franklin and Ohio counties in Indiana.

A transportation and industrial center since the early development of the territory west of the Appalachians, the Metropolitan Area has grown and developed into a major center for insurance and finance companies, wholesaling, retailing, government installation, medical services and service industries as well as manufacturing. Among the Metropolitan Area's prominent

manufacturing groups are: transportation equipment (which includes aircraft engines and auto parts), food and kindred products, metal working and general industrial machinery, chemicals, fabricated metal products, and printing and publishing. In addition, toys, apparel, mattresses, house wares and shoes are produced locally by nationally known enterprises. The Metropolitan Area is also the location of major federal government installations, including a regional postal service center, a Food and Drug Administration office, a center for environmental research, an occupational health and safety research center and the United States Sixth Circuit Court of Appeals.

This diverse economic base continues to be a source of stability for the area, protecting it from severe peaks and valleys in the business cycle. More than half of the U.S. population, purchasing power and manufacturing establishments are within one hour's flight time and 600 miles of the Metropolitan Area.

The Metropolitan Area is a growing center for international business, with over 1,000 firms engaged in international trade. Metropolitan Area companies generate sales of approximately \$15.5 billion to customers outside the U.S. each year. Major export products include jet engines, plastics, machinery, computer software, paper and consumer goods. Directly imported products create over \$2 billion in annual revenue. Over 450 firms are also owned by foreign firms from Asia, Europe, Africa, South America, and Canada. Foreign Trade Zone status is also available in the Metropolitan Area to assist firms engaged in international trade to lower import duty and tax expenses.

Economic Development. The City is continuing its strong efforts to attract and retain quality economic development projects. The Community Reinvestment Area (CRA) Program has been widely used by the City to encourage businesses to relocate in the City of Fairfield. The City currently has 13 active CRA tax exemptions covering the manufacturing, services, and financial industries.

The city's economic base is diversified among many firms and industries, putting the city in a good position to weather economic recessions or the loss of a major employer. A strong manufacturing and logistics presence also helps to ensure sustained employment levels within the city as COVID-19 drives a work from home trend for office-based companies. Income tax receipts, which are a good measure of economic development success, have seen stable annual growth over the last decade.

Manufacturing. The City's diversified industrial area is located strategically West of I-75 and just North of I-275 providing access to available land in this expanding corridor for industrial development, as well as one of the best aquifers for water supply in the United States. In addition, labor forces of 1.5 million people live within a 30 minute drive of the City.

Pacific Manufacturing Ohio, Inc. is an automotive parts manufacturer, making a variety of metal and plastic component parts. Pacific is a Tier 1 auto parts supplier to Toyota, along with also supplying parts for Honda, Mitsubishi and Subaru. Pacific has operated in Fairfield for more than 25 years and has grown considerably over that time. Pacific has completed multiple expansions, most recently including a 72,000 square foot addition representing \$50 million in investment. The

company's continued growth and additional jobs have kept Pacific Manufacturing as one of the City's top employers.

Koch Foods, one of the largest integrated poultry processing centers in the country, the City's largest utility user, and one of the city's largest employers, completed a 179,000 square foot expansion in 2015. The expansion doubled the plant's capacity with the last production line brought into service in 2017, representing a total investment of more than \$43 million. The City assisted the project with a 10-year, 75% property tax exemption on the increased value of the addition and will rebate a portion of the company's sewer fees, while the State of Ohio assisted with a job creation tax credit.

The City has also seen manufacturing growth among smaller firms. This includes the relocation of Standex Electronics from Cincinnati to Fairfield in 2018, resulting in 123 new full-time employees working in the city. Rolled Alloys, Calvary Industries, and The Fischer Group have also undertaken expansion projects to add additional space, new machinery, and increase employment. These projects were supported with tax abatements with terms established based on total investment, job, and payroll metrics.

Services. Veritiv Corporation is a business-to-business supplier that provides printing, publishing, packaging, and facility solutions for its customers. Recently named #412 on the 2020 Fortune 500 list, the company relocated a major customer service center to Fairfield in 2016. The company leased nearly 80,000 square feet of office space in the Gilmore Pointe office building and invested more than \$2 million to renovate the space and now Veritiv is one of the City's top employers.

Other. Northpointe Development finished construction on a new \$30 million industrial/logistics park near the intersection of Union Centre Boulevard and Seward Road in 2017. These buildings quickly leased up, with one small tenant space available for sublease.

Becknell Industrial constructed a new \$10 million 176,800 square foot industrial warehouse facility on Commerce Center Drive. The property is currently being marketed for tenants.

Ambrose Property Group has acquired a 137 acre property on Seward Road and has announced plans for Fairfield Commerce Park. The project includes redevelopment of the existing 276,000 building for office or industrial space, and the addition of up to five new buildings totaling between 1.2 and 1.6 million square feet. The City established a performance-based tax exemption to attract tenants to the site.

Residential. The City is home to several residential single-family subdivisions with recently completed homes and lots available for construction.

Emerald Lake, a 150-lot subdivision within walking distance to the Town Center and Harbin Park, is nestled on a former working farm off of Pleasant Avenue. Within the first three sections, there are 110 constructed homes and 10 available lots, including lots in a section reserved for custom-built homes. The final section, containing 30 additional lots, is currently being prepared for development.

The Bluffs at Harbin is a secluded hilltop in the City offering great views and adjacent access to Harbin Park. There is one lot in the 22-home subdivision currently available.

Lunsford Estates is a subdivision of 14 lots located on the south side of Mack Road with remaining lots available for construction.

Palomino Estates is a small, 9 lot subdivision located in the far western portion of the City, off of Shady Lane in a rural-like setting. One lot currently remains available.

Transportation

The Metropolitan Area is an important rail freight center fed by three major trunk line railroads, operating twelve divisions with total mileage of 64,000 in 27 states. The Metropolitan Area is also served by the Amtrak passenger network.

The Metropolitan Area is also on the 15,000-mile Great Mississippi River Inland Waterway and Intracoastal Canal System. As a major Ohio River port with 37 commercial water terminals, Cincinnati is the second largest inland coal port. Towboats also handle petroleum, iron, steel, grain, chemicals, fertilizer and automobiles. One hundred seventy-five (175) million tons are annually transported on the Ohio River. There are eight barge lines based in the area with 36 barge lines serving the area.

Three airports serve the City's residents. The most important of these is the Cincinnati/Northern Kentucky International Airport, located in Northern Kentucky and approximately 42 minutes from the City via two interstate routes. The airport is served by 10 major, regional and commuter scheduled air carriers providing non-stop service to 50+ cities. Additionally, the airport is served by 9 air cargo carriers and home to Amazon Air Hub and DHL Express Global Superhub.

The City is also served by the Hamilton-Butler Airport-Hogan Field. The airport maintains operation under the Butler County Regional Airport Authority. The airport is designated a relief airport for the Cincinnati/Northern Kentucky Airport and has air charter available to both Cincinnati and Dayton. The airport serves private aircraft with a 5,500 by 100 foot paved runway. In addition, the Dayton International Airport is located approximately 56 miles north of the City in Dayton, Ohio.

Cincinnati Metro buses provide service to many areas of the City. Butler County Regional Transit Authority's ("BCRTA") Shuttle-on-Demand provides curb-to-curb service in Butler County. A system of five interstate highway routes (I-71, I-74, I-75, I-275 and I-471) and seven U.S. Routes (22, 25, 27, 42, 50, 52 and 127) serve the Metropolitan Area. There are also approximately 272 miles of county roads, including 377 bridges, facilitating transportation in Butler County. Of these highways, Interstate 275 has three interchanges at the southern border of the City providing access to Interstate 74 (twelve miles), Interstate 75 (two miles), Interstate 71 (eight miles) and the Butler Regional Highway; a four-lane, 16 mile, limited access highway that connects the City of Hamilton to I-75. U.S. Route 127 also passes through the City.

Ohio Routes 4 and Alternate 4 also provide major transportation arteries through the City. More than 150 motor freight carriers including 60 interstate carriers and 42 freight forwarders serve the City.

Approximate Distance from Fairfield to Major Urban Markets

<u>City</u>	<u>Highway Miles</u>
Chicago, Illinois	292
Cincinnati, Ohio	25
Cleveland, Ohio	246
Columbus Ohio	104
Dayton, Ohio	44
Detroit, Michigan	253
Indianapolis, Indiana	107
Lexington, Kentucky	108
Louisville, Kentucky	123
Nashville, Tennessee	296
Pittsburgh, Pennsylvania	286
Toledo, Ohio	194

Source: Google Maps.

Utilities

Duke Energy and Butler Rural Electric Cooperative provide the City with gas and electricity. The Metropolitan Area is near the center of one of the nation's largest concentrations of electrical power. Duke Energy's plants are connected to other utility company plants in the Ohio River Valley and also to a regional network of high voltage lines, thus providing substantial reserve capacity.

The City's municipally owned water plant provides water to city residents and businesses. The municipally owned sewer treatment facility provides sewer service to substantially the entire City. The City maintains all maintenance functions and all billing and collection functions relative to these services.

The City contracts with Rumpke, a private solid waste collection firm, for solid waste services for weekly collection of waste from residential dwellings, schools, hospitals and public institutions.

Fire and Police Services

Fire protection in the City is provided by the City's fire department, which operates 3 fire stations and 1 mobile command unit (which are located in the City), and 21 vehicles including 3 quints with ladders 75 feet or higher, 1 fully equipped pumper, 1 heavy rescue vehicle, 1 Haz Mat absorbent trailer, and 1 grass fire unit. The fire department has mutual aid response agreements with other nearby municipalities. The fire department employs 1 chief, 2 deputy chiefs and 21 full-time fire fighters/paramedics with support from 50 part-time staff members and 9 full-time senior officers. Crews are on duty at the station 24 hours a day. The City's fire insurance rating is Class 2.

The City's nationally accredited police department consists of 63 commissioned officers, including the chief, 3 majors/deputy chiefs, and 10 sergeants. The police department also employs 4 part-time park rangers, 10 full-time dispatchers, 12 full-time non-commissioned employees including a juvenile diversion counselor, and 8 part-time non-commissioned employees. The department has 3 canines assigned to evening and night shifts.

Programs offered at the department geared toward community service include a bicycle patrol program, business and vacation check services, crime prevention activities, safety tours and events, the Drug Abuse Resistance Education ("DARE") program, resource officers assigned to the city's middle school, freshman school and high schools, a juvenile diversion program, and a citizen police academy. The City's police department operates a fleet of 19 fully equipped marked patrol vehicles which provide general police services to the city on a 24-hour a day basis. The department has several specialty vehicles including an evidence van and traffic crash reconstruction van.

Print and Broadcast Media

The Metropolitan Area has one daily newspaper of general circulation and approximately 40 community weeklies. The City is also served by one local weekly paper. Seven television stations from Cincinnati, six from Dayton, one from Newport, KY, one from Covington, KY, and one from Oxford - the nation's oldest educational station - are available in addition to cable and satellite television. Multiple AM, FM and satellite radio stations serve the area, including two stations based in the City.

Culture, Recreation and Education

Few areas in the country can offer the stimulating cultural life of the Metropolitan Area. The Cincinnati Symphony Orchestra calls home the century-old Music Hall, as do the Cincinnati Opera, the Cincinnati Pops Orchestra, and the Cincinnati Ballet. The Cincinnati May Festival is also held at Music Hall. The Aronoff Center for the Arts hosts a wide range of productions including the Broadway Series. Also available are the Taft Theater, the Playhouse in the Park, the College Conservatory of Music, the Showboat Majestic and the Corbett Center for the Performing Arts at the University of Cincinnati. Museums include the Cincinnati Art Museum, Contemporary Arts Center, Taft Museum, the Museum of Natural History, the Children's Museum, the Krohn Conservatory, the Cincinnati Fire Museum, the John Hauck House, and the National Underground Railroad Freedom Museum.

Near Middletown is the Miami-Erie Canal Museum. Also, throughout the county are over 1,000 acres of parkland and historical sites including Gano, Governor Bebb Preserve, Old West-Chester and Indian Creek.

The City is rich in culture with its 40,000 square foot Community Arts Center which houses a 237-seat theater, an arts studio, a fitness studio, a children's room, a senior lounge, a community room and an art gallery.

The quality of life in the City is further enhanced by the Lane Public Library system with 410,000 volumes in five branches and two mobile offices throughout Butler County, with approximately 30,000 volumes at the branch located in the City.

The educational environment in the Metropolitan Area is set by more than 23 universities, colleges and vocational and technical schools. Approximately 66% of the 625 teachers in the City's public schools have more than a Baccalaureate degree, and the average years of teaching experience is 14 years. For the school year 2019-2020, the total enrollment was approximately 9,215 students, grades pre-school through 12, in the Fairfield City School District.

The City's Parks and Recreation System consists of 29 park sites and recreational facilities, ranging from its 212 acre municipal park to its $\frac{1}{4}$ acre green space. The City also operates an 18-hole golf course, a 9-hole golf course and a public swimming pool. Its recreational offerings cover all ages and abilities.

Huffmann Park is adjacent to the South Trace Golf Course and features nature learning stations, such as a pond, an aeration windmill designed to keep the pond clean, and a fruit and nut orchard. The Parks and Recreation Department offer a variety of nature programs, educational workshops and summer camps at Huffman Park.

The Joe Nuxhall Pavilion is a concession stand for the Waterworks Park which serves baseball players and spectators attending the games at the complex. The Joe Nuxhall Pavilion, which is dedicated to the great Cincinnati Reds pitcher and long-time resident of the City, replaced the antiquated little league concession stand. The pavilion is 2,100 square feet with a 1,400 square foot covered picnic area. In addition, a bronze sculpture of Joe Nuxhall was commissioned in remembrance for all he has done for the community.

The Fairfield Aquatic Center offers pools, diving boards, a wading pool, large slide, volleyball court, sand play area, a spray park, and a water play structure. Qualified lifeguards and instructors are on duty at all times.

The Joyce Park Bike Path has been constructed along Forest Lake Lane giving cyclists, walkers and runners another connection to the Great Miami River Bike Path. The path, which is a joint venture with the City of Hamilton, begins at River Road and winds its way through Joyce Park where it connects to the existing path. The path originates to the south in Waterworks Park and extends to the north as it hugs the Great Miami River until it reaches the Fitton Center in downtown Hamilton. The new path provides a convenient connection to the bike path, while serving as a separate walking path for Forest Lake Lane, providing a safe means for visitors to walk to soccer fields, baseball fields, and the skate park.

The Butler County Park District contains ten parks, and fishing and boating facilities, covering approximately 3,000 acres in addition to the Hueston Woods State Park in the northern sector of Butler County. The State park consists of 3,000 acres and includes a lodge, swimming pools and beaches.

The Metropolitan Area supports the Cincinnati Reds of Major League Baseball, the nation's first professional baseball team, as well as the Cincinnati Bengals of the National Football League and the Cincinnati Cyclones, a minor league team competing in the East Coast Hockey League. Horse racing takes place at nearby Turfway Park, Belterra Park Gaming & Entertainment Center and Miami Valley Gaming.

Residents of the City also have easy access to the Cincinnati Zoo and Botanical Gardens, the nation's second oldest zoo, which is known throughout the world for its success in breeding rare species in captivity. Across the river, the Newport Aquarium in Newport, Kentucky draws 3 million visitors a year.

Employment Statistics

The following table lists the unemployment rates for the City, Butler and Hamilton Counties, the State of Ohio and the United States for the past five years. The data is not seasonally adjusted. The figures are expressed in percentages and represent the ratio of the total unemployed to the total labor force.

<u>Year</u>	<u>Fairfield City</u>	<u>Butler Co.</u>	<u>Hamilton Co.</u>	<u>State of Ohio</u>	<u>United States</u>
2015	4.2%	4.5%	4.4%	4.9%	5.3%
2016	3.9	4.4	4.4	4.9	4.9
2017	4.0	4.4	4.3	5.0	4.4
2018	3.6	4.1	4.1	4.5	3.9
2019	3.3	3.7	3.7	4.1	3.7

Source: Ohio Department of Job & Family Services.

Largest Employers in Fairfield

<u>Name of Employer</u>	<u>Nature of Business</u>	<u>Number of Employees</u>
1. Cincinnati Financial Corporation	Insurance	3,890
2. Koch Foods	Food Manufacturing	1,956
3. Mercy Hospital Fairfield	Hospital	1,782
4. Amazon.com Services Inc	e-Commerce	1,590
5. Fairfield City Schools	Education	1,425
6. Pacific Industries	Manufacturing	949
7. Jungle Jim's Market	Grocery	732
8. Express Scripts	Prescription Management	660
9. Liberty Mutual	Insurance	588
10. City of Fairfield	Government	582

Source: City of Fairfield Finance Department, based on W-2s received by the City.

Largest Employers in Cincinnati Metropolitan Area

Name of Employer	Nature of Business	Approx. Number of Employees
Cincinnati Children's Hospital	Healthcare	15,796
Kroger Co.	HQ – Retail	14,987
Cincinnati/Northern Kentucky Intl. Airport	International Airport	14,602
TriHealth Inc.	Healthcare	12,332
UC Health	Healthcare	11,000
Bon Secours Mercy Health	Healthcare	10,500
University of Cincinnati	Education	10,159
The Procter & Gamble Company [†]	Consumer Goods Distribution	10,000
GE Aviation	Aircraft Engines	9,700
St. Elizabeth Healthcare	Healthcare	8,885
Fifth Third Bank [†]	Financial Institution	7,366
City of Cincinnati	City Government	6,631
Christ Hospital Health Network	Healthcare	6,197
Cincinnati Public Schools	Education	6,084
Kings Island	Amusement Park	5,000
Hamilton County	County Government	4,511
Miami University	Education	4,291
Fidelity Investments	Financial Services	4,200
Staffmark Group LLC	Staffing Firm	3,665
Macy's Inc. [†]	Fashion Retailer	3,600
Cincinnati Financial Corp.	Financial Institution	3,405
Boone County Schools	Education	3,400
U.S. Bank National Association	Financial Institution	3,169
Anthem Blue Cross and Blue Shield in Ohio	Health Insurance Provider	3,000
State of Ohio	State Government	2,689

[†]Fortune 500 company with headquarters located in Greater Cincinnati.

Source: Cincinnati Business Courier 2019-2020 Book of Lists (Ranked by local employees as of June 2019)

Income and Housing Data

The following shows the Median Household Income, Per Capita Income, Median Home Value, and the Median Family Income for the City, according to the U.S. Census 2018 American Community Survey, in comparison to Butler County, the State of Ohio and the United States:

	<u>City of Fairfield</u>	<u>Butler County</u>	<u>State of Ohio</u>	<u>United States</u>
Median Household Income	\$61,042	\$63,358	\$54,533	\$60,293
Per Capita Income	30,460	30,777	30,304	32,621
Median Home Value	150,900	165,900	140,000	204,900
Median Family Income	73,225	80,180	69,837	73,965

Source: U.S. Census Bureau, 2018 American Community Survey.

Building Permits, Home Construction and Housing Valuation

The City issues non-residential and residential building permits. The following details the number of permits issued by category and the estimated valuation for those construction projects for the past five years:

<u>Year</u>	<u>Residential</u>	<u>Non-Residential</u>	Combined Total Estimated Value
2015	11	6	\$12,982,742
2016	18	12*	82,892,252*
2017	23	12	25,113,202
2018	15	10	16,076,847
2019	8	7	5,498,627

*Note: 3 of the 12 non-residential buildings were new schools valued at \$64,000,000.

Source: City of Fairfield Building Department.

FINANCIAL MATTERS

Introduction

The City's fiscal year corresponds with the calendar year.

The administrative functions of the City are performed by or under the supervision of the following:

1. Overall planning and development, the City Council.
2. Assessment of real and personal property, the Butler County Auditor.
3. Financial control functions of the City, the Director of Finance.
4. Inspection and supervision of the accounts and reports of the City as required by law, the State of Ohio Office of the Auditor and by independent certified public accountants.
5. Public utility property assessment, the State of Ohio.

Budgeting, Tax Levy and Appropriations Procedures

Detailed provisions for City budgeting, tax levies and appropriations are made in the Revised Code. The procedures involve collective review by County officials at several stages.

City budgeting for a fiscal year formally begins in July of the prior year with the preparation and adoption, after a public hearing, of a tax budget for the fiscal year. With respect to payment of debt service in the fiscal year, the tax budget must show the amounts required, the estimated receipts from sources other than property taxes for payment, the net amount for which a property tax levy must be made, and the portions of that levy to be inside and outside the ten-mill tax rate limitation (see "Indirect Debt Limitations" herein). The tax budget is then presented for review to

the County Budget Commission comprised of the County Auditor, Treasurer and Prosecuting Attorney.

The County Budget Commission reviews the budget and, with respect to debt service, determines and approves levies for debt service inside and outside the ten-mill rate limitation. The law expressly provides that “if any debt charge is omitted from the budget, the commission shall include it therein.” Upon approval of the tax budget, the County Budget Commission certifies its action to the City together with the estimate by the County Auditor of the tax rates inside and outside the ten-mill tax limitation. Thereafter and before the end of the then calendar year, the Commissioner approves the tax levies and certifies them to the proper officials. The tax rates are then reflected in the tax bills sent to property owners. Real property taxes are payable in two installments, the first usually in February and the second in June.

By statute, no later than each January, the City Council must adopt a temporary appropriation measure and by April 1, a permanent appropriation measure for that fiscal year. On December 2, 2019, the City adopted a final budget for 2020, alleviating the need to comply with the above-described steps. Annual appropriations should not exceed the County Budget Commission’s official estimates of resources and appropriation measures are to be certified by the County Auditor as not appropriating more moneys than set forth in those latest official estimates.

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China has since spread to other countries, including the United States, and has been declared a Public Health Emergency of International Concern by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The Governor of Ohio mandated that all Ohio non-essential businesses close and/or impose work from home and social distancing polices for more than two months in the first half of fiscal year 2020. While businesses have since been allowed to reopen, social distancing and other protocols are required of businesses, employees and customers. The collection of certain City revenues may be affected by business closings and reductions in workforce. While the potential impact on the City and its collections cannot be predicted at this time, the continued spread of the outbreak could have a material adverse effect on the general economy and the City.

Financial Reports and Examinations of Accounts

The City maintains its accounts and other fiscal records on an appropriation and cash basis in accordance with the procedures established and prescribed by the Office of the Auditor. The Auditor of State is charged by Ohio law with the responsibility for inspecting and supervising the accounts and reports of the City. An examination by the Auditor of State of the accounts of the Director of Finance may be made every two years, but this examination may be waived by the Auditor of State. In that regard, independent certified public accountants have, with two exceptions, examined the accounts of the Director of Finance in every year since 1979 and these audits have satisfied all requirements of the Auditor of State. In 1983, and again in 2000, the Auditor of State undertook its own examination.

The City received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada for its

Comprehensive Annual Financial Report for the Fiscal Years Ended December 31, 1986 through December 31, 2003 and December 31, 2005 through December 31, 2018.

The most recent examination of the Director of Finance's accounts and records by an independent certified public accountant has been completed through December 31, 2018.

Financial reports are prepared annually by the City and filed with the Auditor of State pursuant to Ohio law. Such reports are required to be submitted to the Auditor of State within 150 days after the close of each year, and have been filed by the required time.

Appendix A contains portions of the City's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2019. Appendix B presents a summary of the City's 2020 Budget.

Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. In 2020 the City entered into a joint insurance pool, Miami Valley Risk Management Association, Inc. (MVRMA, Inc.) with other local cities. The pool has twenty one members. The pool has been operational since December of 1988 and was formed in accordance with Section 2744 of the Ohio Revised Code. This jointly governed organization provides real and personal property, crime, surety, general liability, boiler and machinery, employment practices liability, police professional and public official liability coverage up to the limits stated below. Membership in MVRMA is intended to provide broad based coverage up to the limits stated below, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate. MVRMA is a non-profit corporation governed by a twenty one member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote.

Management is provided by an Executive Director, who is assisted by a Claims Manager, a full-time Loss Control Manager and office staff. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA is subject to the approval of the board, and the organization is covered by policies, procedures, and formally adopted bylaws.

The individual MVRMA, Inc. members are not considered "participants having equity interest" as defined by GASB Statement No. 14 since members have no rights to any assets of MVRMA, Inc. other than possible residual claims upon dissolution. The risk of loss is transferred from the City to the pool. Therefore, MVRMA, Inc. is a multi-jurisdictional arrangement that has the characteristics of a joint venture but has additional features that distinguish it, for financial reporting purposes, from the traditional joint venture defined in GASB Statement No. 14. Pursuant to current law, the liability of political subdivisions, including counties in Ohio, has been significantly reduced.

Pursuant to current law, the liability of political subdivisions, including counties in Ohio, has been significantly reduced. As a general rule, Ohio law provides that political subdivisions such as the City have an immunity from liability in damages for injury, death or loss to persons or

property allegedly caused by an act or omission of such political subdivisions or their employees in connection with governmental and proprietary functions, as defined in the Ohio statutes. The statutes have no effect on any liability imposed by federal law or other federal cause of action. Pursuant to Ohio law, there are, however, 5 areas in which a political subdivision may be held liable for such loss. These include: (1) the negligent operation of a motor vehicle; (2) negligent performance of proprietary functions; (3) negligent failure to remove obstructions from public roads or to keep public roads, highways, streets, sidewalks, bridges or public grounds open, in repair and free from nuisance; (4) negligence of employees within or upon the grounds of buildings used in the performance of governmental functions which buildings have physical defects within or upon the grounds thereof, but excluding jails, juvenile detention workhouses and other detention facilities; (5) and liability specifically imposed by statute. Ohio law imposes a two-year statute of limitations, prohibits the garnishment or judicial sale of assets and funds of political subdivisions, and puts limits on the damages that may be recovered from such political subdivisions. The political subdivision is also required to indemnify and defend its officers and employees when the officer or employee was acting in good faith and within the scope of duties. No punitive or exemplary damages can be recovered, and any insurance benefits are deducted from any award against a political subdivision. Although there is no limitation with respect to compensatory damages representing a person's economic loss, there is a \$250,000 per person ceiling on the compensatory damage that represents a person's non-economic loss in cases other than wrongful death, in which case there is no maximum limitation.

INVESTMENT POLICIES OF THE CITY OF FAIRFIELD

Chapter 135 of the Ohio Revised Code sets forth the requirements and limitations for investments of the state's political subdivisions, including the City. Under Section 135.14 of the Revised Code, the City may invest its funds provided that such investments must mature or be redeemable within five years from the date of purchase.

The City invests in United States Treasury obligations and eligible guaranteed obligations of the United States, commercial paper, bankers acceptances, the State Treasurer's investment pool ("Star Ohio") certificates of deposit, repurchase agreements and mutual funds which are invested exclusively in United States Treasury obligations. All investments comply with the limitations with respect to length of maturities contained in Chapter 135 of the Ohio Revised Code (the Uniform Depository Act). The City interprets the limits on federal guaranteed investments, bankers acceptances, commercial paper and all other legal investments very conservatively. The City has never owned any derivative type investments, interest only investments or reverse repurchase agreements. The City Finance Director has attended special training in all of the investment areas to assure compliance with the strictly conservative philosophy of the City. All investments are transacted with banks which the City believes to be reputable or other financial institutions operating in the State of Ohio that are well versed in the statutory restrictions that Ohio political subdivisions operate under and which have an understanding of the City investments requirements.

The City values safety, liquidity and return, in that order. Interest earned by the City in 2019 totaled \$1,125,097.

All brokers, dealers, and financial institutions, who give advice or make investment recommendations to the City shall sign the City's Investment Policy thereby acknowledging their agreement to abide by the Policy's contents; those who execute transactions for the City shall read and sign the Policy thereby acknowledging their comprehension and receipt of the Policy.

AD VALOREM TAXES

Assessed Valuation

The following is the assessed valuation, for the most recent five years, of property in the City subject to ad valorem property taxes levied by Butler County.

Tax Duplicate <u>Year</u>	Collection <u>Year</u>	Real Estate	Public Utility <u>Personal Property</u>	Total	% <u>Change</u>
2015	2016	\$903,236,750	\$38,373,230	\$941,609,980	(0.22%)
2016	2017	903,261,470	41,633,890	944,895,360	0.35
2017	2018	956,212,820	43,078,190	999,291,010	5.76
2018	2019	990,153,600	47,339,530	1,037,493,130	3.83
2019	2020	984,802,100	49,484,530	1,034,286,630	(0.31)

Source: Butler County Auditor.

All property taxes in Butler County, including taxes upon property in the City, are levied and collected by the County. A portion of those funds are returned to the City with remaining property taxes going to the County, the schools and the township. (See Tax Table B herein.)

The tax year 2019 (collection year 2020) assessed valuation of \$1,034,286,630 for the City is comprised of the following types of property in the indicated amounts:

Type	Assessed Valuation	Percent of Total
Residential	\$605,404,720	58.53%
Agricultural	1,997,110	0.19
Commercial	251,428,720	24.32
Industrial	125,886,620	12.17
Public Utility		
Real Property	84,930	0.01
Personal Property	49,484,170	4.78
TOTAL	\$1,034,286,270	100.00%

Largest Taxpayers

The following table shows property taxes payable, total assessed valuation, and the percentage of the City's total assessed valuation for the top ten taxpayers within the City for tax collection year 2020 (tax year 2019):

Tax Table A
Largest Taxpayers

<u>Taxpayer</u>	<u>Taxes Payable</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
1. Duke Energy Ohio Inc.	\$4,120,744	\$47,713,710	4.61%
2. LIT Industrial LTD Partnership	846,483	13,471,500	1.30
3. Boymel Family LLC	506,184	8,055,750	0.78
4. NP Seward Rd LLC	505,702	8,050,000	0.78
5. Cincinnati Financial Corp.	498,194	7,944,520	0.77
6. Duke Realty Ohio	433,756	6,903,080	0.67
7. Fath Village Park Apartments LLC	413,995	6,588,590	0.64
8. Sisters of Mercy	375,990	5,983,750	0.58
9. Camelot East Owners LLC	374,800	5,968,420	0.58
10. Villages of Wildwood Owner LLC	<u>353,335</u>	<u>5,623,210</u>	<u>0.54</u>
TOTAL	\$8,429,183	\$116,302,530	11.25%

Source: Butler County Auditor.

During 2020, Butler County is experiencing the statutory sexennial, on-site reappraisal of real property, whereby the true value of real property was adjusted to reflect current market values as of January 1, 2020. The laws of the State of Ohio presently require that the County Auditor reassess real property at any time the County Auditor finds that the true or taxable value thereof has changed, and in the third calendar year following the year in which a sexennial reappraisal is completed if ordered by the State Commissioner of Tax Equalization (the "Commissioner"). Such triennial update, which is not accomplished by on-site inspection, was completed during 2017.

Taxable value of real property may not exceed thirty-five per cent (35%) of its true value. The County Auditor must determine the true value of real property and improvements thereon, or the current agricultural use value of agricultural land, and reduce that value by the percentage established by the Tax Commissioner. Certain real property declared by the property owner and deemed to qualify as "forest land" under Section 5713.22 of the Revised Code is taxed at fifty percent (50%) of the local tax rate.

Ad Valorem Tax Rates

Tax Table B sets forth the rates, in mills per \$1.00 of assessed valuation, of the levies in the County for ad valorem property taxes for the general categories of purposes with proper Reduction Factors.

Tax Table B
(Tax Year 2019, Collection Year 2020)

	<u>Inside 10-Mill</u>	<u>Outside 10-Mill</u>	<u>Total</u>
City of Fairfield			
General Fund	0.99	--	0.99
Police Pension	0.30	--	0.30
Fire Levy	--	7.15	7.15
City Total	1.29	7.15	8.44
Board of Education*			
General Fund	6.79		
Permanent Improvement	--	0.50	0.50
Bond Retirement	--		
Joint Vocational School**	--	1.93	1.93
Board Total	6.79	58.01	64.80
Butler County			
General Fund	1.92	--	1.92
Child Services	--	2.00	2.00
Comprehensive Mental Health	--	1.50	1.50
Library	--	0.75	0.75
Park	--	0.70	0.70
Mental Retardation	--	3.00	3.00
Senior Citizens	--	1.30	1.30
County Total	1.92	9.25	11.17
TOTAL TAX RATES	10.00	76.34	86.34

Source: Ohio Municipal Advisory Council.

*Fairfield City School District

**Butler Technology Career Development

Tax Table C
Rates of Taxation (Mills) for City of Fairfield, Ohio

Duplicate <u>Year</u>	Collection <u>Year</u>	City <u>Rate</u>	County <u>Rate</u>	School* <u>Levy</u>	JVSD**	Park	Library	Total
2015	2016	5.94	9.72	64.50	1.93	0.50	0.75	83.34
2016	2017	8.44	9.72	64.30	1.93	0.70	0.75	85.84
2017	2018	8.44	9.72	64.30	1.93	0.70	0.75	85.84
2018	2019	8.44	9.72	63.80	1.93	0.70	0.75	85.34
2019	2020	8.44	9.72	64.80	1.93	0.70	0.75	86.34

Source: Butler County Auditor.

*Fairfield City School District

**Butler Technology Career Development

Current law requires that taxable real property be assessed at not more than 35% of its true value, except that taxable real property devoted exclusively to agricultural use is to be assessed at not more than 35% of its current agricultural use value as determined by the County Auditor in accordance with rules adopted by the Ohio Commissioner of Tax Equalization (the "Commissioner") for such purpose. The assessment ratio has been fixed at 35% under existing rules of the Commissioner. The County Auditor is required to adjust (but without individual appraisal of properties, except in the sexennial reappraisal) taxable real property values triennial to reflect true values. Any taxable real property which the owner thereof, under rules and regulations promulgated by the Chief of the Ohio Division of Forestry, declares is devoted exclusively to forestry or timber growing is taxed at 50% of the local tax rate upon its true value.

Given the standard assessment base determined under the provisions noted above, Ohio law provides for the following two-phase tax reduction of real property taxes, with respect to taxes other than taxes levied at a rate required to produce a specified amount of tax money (such as taxes for the payment of debt service charges), taxes levied inside the ten-mill limitation, or taxes authorized by a municipal charter:

(1) The County Auditor must annually classify all real property into two classes: (a) residential/ agricultural real property, and (b) nonresidential/agricultural real property. The Tax Commissioner then determines the amount of carryover property in each such case for each taxing district, "carryover property" being defined as all real property on the current year's tax list except: (a) land and improvements that were not taxed by the district in both the preceding year and the current year, and (b) land and improvements that were not in the same class in both the preceding year and the current year. The Tax Commissioner must determine annually by what percent (the "Tax Reduction Factor"), if any, the sums that would otherwise be levied by each tax against the carryover property in each class would have to be reduced to equal the amount that would be levied if the full rate thereof were imposed against the total taxable value of such property in the preceding tax year. Thereafter, the County Auditor must reduce the sum to be levied by such tax against each parcel of real property in the district by the Tax Reduction Factor certified by the Tax Commissioner for its class. However, if said reduction for either class of property could cause the total taxes charged and payable for current expenses of a school district, other than a joint vocational school district, prior to the statutory ten percent reduction discussed hereinafter, to be less than two percent of the taxable value of all real property in that class that is subject to taxation,

the Tax Commissioner, upon notification thereof by the County Auditor, must adjust the Tax Reduction Factor so that such two percent limit will not be exceeded.

(2) The County Auditor must reduce the sums remaining thereafter to be levied against parcels of real property by ten percent; such reduction is reimbursed by the State to the County for distribution to the affected subdivisions. The taxes remaining after such reduction constitute the real and public utility property tax chargeable and payable on such property.

In addition, Ohio law provides real property tax reductions for certain owner-occupied properties and to certain elderly or disabled property owners. Any such reductions are reimbursed by the State to the County for distribution to the affected subdivisions.

In each Ohio county there is a board of tax appeals. According to a schedule established by that board, any property owner, if he or she feels the property is over assessed for tax purposes, can file for a reduction in assessed value. If the evidence which the property owner submits justifies the decrease, the board of tax appeals will grant all or part of the reduction requested.

While the aforesaid tax reductions may not affect the determination of the principal amount of notes that may be issued in anticipation of any tax levies or the amount of notes or bonds for any planned improvements, if funds for the payment of debt service charges on notes or bonds payable from taxes so reduced are insufficient for such purpose, then the reduction of taxes is adjusted to the extent necessary to provide sufficient funds from real property taxes for the payment of such debt charges.

Failure of the County Auditor to supply to the Tax Commissioner the information required to determine the Tax Reduction Factor may result in substantial withholding of State revenues to the local government until such time as the County Auditor supplies such information.

State Reimbursements for Levy Losses

As part of the various law changes that accompanied the deregulation of electric utility and natural gas companies in 1999-2000, property tax assessed value for public utility tangible property (“PUTP”) taxes levied by school districts and other local taxing units were reduced. The Ohio General Assembly enacted a program whereby school districts and other local taxing units were reimbursed for these losses, although the payments are subject to a phase-out. In 2005, the General Assembly enacted legislation to gradually repeal the business tangible personal property tax (“TPP”, and together with PPUTP, “excluded property”) on manufacturing-related equipment, causing schools and other local taxing units to face more reductions in property tax revenues. A subsequent reimbursement program was implemented to replace the lost revenues, which was also scheduled to be phased out. The reimbursement payments for loss of the excluded property tax revenues are collectively referred to as “replacement payments” and references to “fiscal year” in this section are to the State’s fiscal year.

In 2011, the General Assembly adopted modifications to the reimbursement methodology, generally accelerating the original phase-out schedule and reducing replacement payments. Legislation adopted in 2015 again altered the reimbursement formula to combine replacement payments for PPUTP and TPP-related losses, to base replacement payments for fixed-rate, current expense levies on relative need, which is measured by calculating a taxing unit’s replacement

payments as a percentage of total revenue sources available to the applicable unit for current operating purposes, and to provide for the resumption of the phase-out of replacement payments for fixed rate, non-current expense levies, which had been paused for the prior two fiscal years. Subsequent legislation effective for fiscal year 2018 and subsequent fiscal years further modified the reimbursement methodology for fixed rate, current expense levies.

Under current law, for school districts, replacement payments for fixed rate, current expense levies are scheduled to decline by 1/16 of 1% (0.0625%) of a district's taxable property valuation averaged over the three year period from 2014 to 2016. In each subsequent fiscal year, replacement payments will equal the previous fiscal year's replacement payment minus 0.0625% of the three-year average valuation until the replacement payments are reduced to zero. Replacement payments attributable to fixed rate, non-current expense levies were completely phased out after fiscal year 2016.

Replacement payments attributable to emergency levies will be phased out over five years, beginning with fiscal year 2017 (with respect to PPUTP values) and fiscal year 2018 (with respect to TPP values). Replacement payments for voter-approved debt levies will continue to be paid in the same amount paid in fiscal year 2014 until the levy is no longer imposed. Replacement payments attributable to unvoted school district debt levies were completely phased out after fiscal year 2018.

The Ohio General Assembly has exercised from time to time its power to revise Ohio law applicable to the determination of assessed valuation of property subject to ad valorem taxation and the amount of tax proceeds produced by ad valorem taxation against such property. It is anticipated that the General Assembly will continue to make similar revisions.

For additional information, please reference the Ohio Department of Taxation website at <https://www.tax.ohio.gov/Government/phaseout.aspx>.

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Collection of Ad Valorem Property Taxes and Special Assessments

The following are the amounts billed and collected by Butler County as ad valorem taxes on the tax duplicates of the County for property in the City, and the special assessments billed and collected, for the indicated tax collection years.

Real Estate and Public Utility

Collection <u>Year</u>	Current <u>Billed</u>	Current <u>Collected</u>	Delinquent <u>%</u>	Delinquent <u>Collected</u>
2015	\$5,219,376	\$5,099,800	97.70%	\$115,661
2016	5,222,810	5,162,111	98.80	102,848
2017	7,695,087	7,561,109	98.26	162,361
2018	7,864,880	7,730,567	98.29	161,180
2019	8,003,749	7,817,107	97.67	183,869

Source: Butler County Auditor.

Special Assessments

Collection <u>Year</u>	Current <u>Billed</u>	Total <u>Collected</u> [*]	<u>%</u>
2015	\$354,389	\$470,410	132.76%
2016	461,192	452,980	98.20
2017	390,219	378,794	97.07
2018	278,196	276,276	99.31
2019	322,071	399,318	124.98

^{*} Includes delinquent assessments.

Source: Butler County Auditor.

Service Payments in Lieu of Taxes (TIF)

Collection <u>Year</u>	Current <u>Billed</u>	Current <u>Collected</u>
2015	\$160,592	\$30,768
2016	157,638	31,180
2017	164,671	39,282
2018	213,226	68,723
2019	206,432	121,522

Pursuant to Ohio law, the current and delinquent taxes and special assessments are billed and collected by County officials for the County and other taxing or assessing subdivisions in the County.

Included in the above figures for ad valorem property taxes “Billed,” “Collected,” and “% Collected” are certain real property tax relief payments made by Ohio from State revenue sources; such payments are not made with respect to special assessments. The “Homestead Exemption” is made available for people over 65; people who are permanently disabled; or are the surviving spouse of a qualified homeowner who is at least 59. All must prove they earn less than \$30,000 a year beginning tax year 2014. Ohio law provides for the payment to taxing subdivisions from State funds of an amount equaling approximately 10% (12½% with respect to owner-occupied non-business residential property) of ad valorem real property taxes levied, thereby reducing the tax obligation of any real property owner in any given year by an equivalent percentage. As an indication of the extent of such State assistance as applied to the City’s share of the County’s tax collections, the “Homestead Exemption” and the “rollback” payment made by Ohio to the City in 2019 was \$681,487. Legislation eliminated the 12.5% “rollback” for all new and replacement levies approved at the November 5, 2013 election and thereafter.

Delinquency Procedures

Taxes for real and utility property for fiscal year 2019 became a lien on January 1, 2020.

The following is a general description of delinquency procedures under Ohio law. The implementation of these procedures may vary in practice among Ohio counties.

If real estate taxes and special assessments are not paid in the year in which they are due, they are certified by the County Auditor’s office as delinquent. A list of delinquent properties is then to be published in a newspaper of general circulation in the County. If the delinquent taxes and special assessments are not paid within one year after such certification, the properties are then to be certified as delinquent to the County Prosecuting Attorney. If the property owner so requests, a payment plan is arranged with the County Treasurer. If such payment plan is not adhered to or if none is arranged, foreclosure proceedings may be initiated by the County. Ohio law also provides for notice by publication and mass foreclosure proceedings and sales after three years’ delinquency.

Proceeds from the foreclosure sales of delinquent property become part of the current collection and are distributed as current collections to the taxing subdivisions in the County, or, if applicable to special assessments, are remitted to the subdivisions that levied such assessments.

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OTHER MAJOR CITY GENERAL FUND REVENUE SOURCES

Described under this caption are major sources of revenue to the City's general fund in addition to ad valorem taxes. See Appendices A and B for further information regarding other sources of revenue for the general fund and other funds.

The City collects revenues from a number of fees, permits and licenses issued by the City's various departments and agencies. The City also collects revenue from the operations of the Fairfield Municipal Court for fines, court costs and bond forfeitures. In 2019, the total amount collected from these sources amounted to \$2,722,465.

Income Tax

The city's income tax was originally levied in 1960, at a rate of 0.6%, to provide funds for street improvements, drainage improvements and garbage collection. A 0.4% increase in 1966 was solely for the installation and operation of storm and sanitary sewers and the sewage disposal plant. A 0.5% increase in 1971, to the current 1.5% rate, was for the purpose of general operations, maintenance and improvement of services.

The 1.5% locally levied tax applies to gross salaries, wages and other personal service compensation earned by residents, both in and out of the City and upon earnings of non-residents earned in the City. It also applies to net income of business organizations derived from business activities conducted in the City. In November of 2002, the citizens of Fairfield voted to change the allocation of the income tax revenues. The current 1.5% tax rate is now subdivided into three components. The first 1.1% is used for operating expenses of the General Fund. Another 0.2% is used for street construction, improvement and repair. The final 0.2% of the tax is earmarked for capital improvements of a permanent nature.

City of Fairfield, Ohio City Income Tax (As Reported In Annual Report)

<u>Year</u>	<u>Tax Rate</u>	<u>Tax Collections</u>
2015	1.5%	\$27,461,579
2016	1.5	29,119,482
2017	1.5	30,722,921
2018	1.5	31,113,019
2019	1.5	32,271,052

Joint Economic Development

The City has entered into two separate Agreements with Fairfield Township and West Chester Township to create two JEDDs. Both the Fairfield Township JEDD Agreement and the West Chester Township JEDD were entered into in May 2009 for the purpose of facilitating economic development, creating and preserving jobs, and increasing growth for the communities, school districts, county, and State of Ohio. The JEDDs have allowed the City to diversify its tax revenues.

The terms of the Fairfield JEDD agreement are currently being renegotiated. As of December 31, 2019, this JEDD has no activity.

The City also partnered with West Chester Township and the City of Springdale to create the West Chester Township JEDD. The only employer currently located in the JEDD is the General Electric Company (or “GE”). GE consolidated engineering operations from its Evendale and Springdale facilities into these office buildings. The payroll for the JEDD in 2019 was \$222,343,557 with total collected taxes of \$2,309,990. The allocation to the partners for the first ten years is: Fairfield – 10%, West Chester – 83% and Springdale – 7%. In year eleven and beyond, the allocation is: Fairfield – 10% and West Chester – 90%. The following table shows the revenues to the City:

West Chester Township JEDD

<u>Year</u>	<u>JEDD Revenues</u>
2015	\$591,518*
2016	201,607
2017	186,937
2018	190,418
2019	214,215

These revenues are deposited into the City’s General Fund and expenditures are set forth in the City’s annual budget appropriations.

*Per the West Chester JEDD I agreement, 2015 revenues included a payment to Fairfield to cover any shortage in revenue based on the City’s capital contribution. The 2015 payment from West Chester Township to Fairfield was \$393,539 and is included in JEDD Revenues.

Local Government Fund

The Ohio Local Government Fund was created by statute and is composed of designated State revenues which are distributed to each county and then allocated to the county, cities, villages and townships located in that county. As of January 1, 2008, the State’s funding formula was changed to consolidate the Local Government Revenue Assistance Fund, an additional unrestricted fund created by the State legislature, into the Local Government Fund. The following table shows the receipts and amounts received by the City under these programs:

<u>Year</u>	<u>Amount</u>
2015	\$648,390
2016	633,463
2017	633,668
2018	670,692
2019	699,467

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City General Fund

The following table shows the City's General Fund Budgetary year-end balance for the last five years:

<u>Year</u>	<u>Budget and General Fund Balance</u>
2015	\$13,500,825
2016	14,298,164
2017	14,944,468
2018	18,597,107
2019	19,571,402

Source City of Fairfield, Director of Finance.

SECURITY AND SOURCES OF PAYMENT FOR GENERAL OBLIGATION BONDS AND NOTES

Ad Valorem Property Tax Security

The basic security for the unvoted general obligation debt of the City is the ability of the City to levy, and its pledge to levy, an ad valorem tax on all the taxable property in the City within the ten-mill limitation, imposed by the Ohio Constitution and laws, for the City and overlapping political subdivisions (described in detail under "Indirect Debt Limitations"), in a sufficient amount to pay, as the same becomes due, the principal of and interest on the outstanding unvoted general obligation bonds and bond anticipation notes of the City and the overlapping subdivisions. The laws of the State of Ohio require that the levy for debt service has priority over any levy for current expenses within such ten-mill limitation, subject, however, to the provisions of Chapter 9 of the federal Bankruptcy Act and other laws affecting creditors' rights.

The basic security for voted general obligation debt of the City is the authorization of the electors of the City to levy ad valorem taxes on all real and personal property in the City subject to ad valorem taxation by the City. The tax is to be in a sufficient amount to pay (to the extent not paid from other sources), as it becomes due, the debt service on the voted bonds, subject to the 10½% limitation discussed in "City Debt and Other Long-Term Obligations" below affecting creditors' rights.

Ohio law requires the levy, during the period in which general obligation bond anticipation notes are outstanding, of ad valorem property taxes in an amount not less than that which would have been levied if bonds had been issued without the prior issue of the notes. Such levy need not actually be collected if payment in fact is to be provided from other sources (see "Bond Anticipation Notes" herein).

Chapter 9 of the Federal Bankruptcy Code contains provisions relating to the adjustment of debts of a State's political subdivisions, public agencies and instrumentalities (each an "eligible entity"), such as the City. Under the Bankruptcy Code and in certain circumstances described therein, an eligible entity may be authorized to initiate Chapter 9 proceedings without prior notice to or consent of its creditors, which proceedings may result in a material and adverse modification

or alteration of the rights of its secured and unsecured creditors, including holders of its bonds and notes.

The Bankruptcy Code protects holders of municipal revenue bonds, by providing that special revenues acquired by the eligible entity after the commencement of bankruptcy proceedings remain subject to any lien resulting from any security agreement entered into by the eligible entity before commencement of the proceedings.

Section 133.36 of the Revised Code permits a political subdivision, such as the City, for the purpose of enabling such subdivision to take advantage of the provisions of the Bankruptcy Code, and for that purpose only, and upon approval of the State Tax Commissioner, to file a petition stating that the subdivision is insolvent or unable to meet its debts as they mature, and that it desires to effect a plan for the composition or readjustment of its debts and to take such further proceedings as are set forth in the Bankruptcy Code as they relate to such subdivision (also, see “Municipal Fiscal Emergency Legislation” herein). The taxing authority of such subdivision may, upon like approval of the State Tax Commissioner, refund its outstanding securities, whether matured or unmatured and exchange refunding bonds for the securities being refunded. In its order approving such refunding, the State Tax Commissioner shall fix the maturities of the bonds to be issued, which shall not exceed thirty years. No taxing subdivision is permitted, in availing itself of the provisions of the Bankruptcy Code, to scale down, cut down or reduce the principal sum of its securities except that interest thereon may be reduced in whole or in part.

The Federal Bankruptcy Code and Section 133.36 of the Ohio Revised Code also permit the County to initiate Chapter 9 proceedings, which, because the County collects certain revenues on behalf of the City (particularly ad valorem property taxes), may adversely affect the financial condition of the City if the proper transfer of revenues is delayed. (See “Tax Collection” section “Ad Valorem Taxes” herein.)

Sources of Payment

In addition to the basic ad valorem property tax security described above, each resolution authorizing the issuance of the City’s general obligation bonds or notes issued in anticipation thereof provides further security by making a pledge of the full faith, credit and revenues of the City for the payment of debt service on such bonds or notes as the same becomes due. Included in that general pledge are all funds of the City, except those specifically limited to another use or prohibited from use for such debt service by the Ohio Constitution, Ohio or federal law, the City Charter or revenue bond trust agreements, such as tax levies voted for specific purposes, taxes levied for debt service on voted general obligation bond issues and certain utility revenues. As discussed herein, only voted general obligations are payable from unlimited ad valorem property taxes.

The City expects that the debt service on certain unvoted general obligation debt of the City will in fact be paid from sources other than the ad valorem property tax, such as utility revenues and special assessments. Should these other revenues for any reason become insufficient to pay debt service on the bonds described above and on any notes issued in anticipation thereof, the City is required by Ohio law to, and will, levy and collect the above-described ad valorem taxes to pay such debt service.

In addition, pursuant to Article XVIII, Section 12 of the Ohio Constitution, the City may issue Revenue Bonds payable solely from the revenues of the given utility or other projects permitted by that constitutional provision for which the bonds were issued. Revenue bonds are not supported by the underlying taxing power of the City.

INVESTMENT CONSIDERATIONS

All obligations of the City are subject to changes in value due to changes in the condition of the tax-exempt bond market and/or changes in the financial position of the City.

Prospective purchasers of the City's obligations may need to consult their own tax advisors prior to any purchase as to the impact of the Internal Revenue Code of 1986, as amended, upon their acquisition, holding or disposition.

With regard to the risk involved in a lowering of the City's bond rating, see the section on "RATINGS" in the Official Statement for a specific offering.

For a further description of the risks associated with the purchase of particular issues of bonds or notes of the City, please refer to the "INVESTMENT CONSIDERATIONS" section in the Official Statement for a specific offering.

In general, where the City expects to refund a note issue with an issue of bonds or renewal notes, and where unfavorable market conditions are combined with an interest ceiling, the City could experience difficulty in receiving any bids for the refunding or renewal issue.

Municipal Fiscal Emergency Legislation

Chapter 118 of the Revised Code (hereinafter in this section of this Annual Statement the "Act") provides methods for dealing with fiscal emergencies of municipal corporations, counties and townships in Ohio. The Act applies only to those municipal corporations, counties and townships which are determined to have circumstances that constitute the existence of a fiscal watch or a fiscal emergency condition and therefore a fiscal watch or a fiscal emergency pursuant to Sections 118.021, 118.022, 118.03 and 118.04 of the Revised Code, as set forth in the Act.

Section 118.022 of the Revised Code sets forth a series of conditions that constitute grounds for a fiscal watch. If a fiscal watch is determined to exist, the municipality, county or township is provided technical and support services by the State Auditor's Office to restore financial stability. If the fiscal watch conditions are not remedied, the municipality, county or township will remain under fiscal watch or be reclassified to a fiscal emergency.

Section 118.03 of the Revised Code sets forth a series of circumstances that are defined "fiscal emergency conditions." If a fiscal emergency condition is determined to exist, the municipality, county or township is subjected to state oversight through a seven-member Financial Planning and Supervision Commission (hereinafter in this section of this Annual Statement the "Commission"). The Commission is assisted by certified public accountants designated as the Financial Supervisor to be engaged by the Commission. The Auditor of State may also be required to assist the Commission.

A municipal corporation, county or township subject to the Act because of the existence of a fiscal emergency must develop and submit a detailed financial plan for the approval or rejection of the Commission. Among other matters, the financial plan must show the actions to be taken by such a municipal corporation, county or township to eliminate existing fiscal emergency conditions, avoid future fiscal emergency conditions and to restore such a municipality's, county's or township's ability to market long-term debt obligations under state laws generally applicable to Ohio political subdivisions.

The Commission must approve the amount and purpose of any issue of debt obligations. The Commission, or when authorized by the Commission, the Financial Supervisor, among other powers, shall require the municipal corporation, county or township to establish monthly levels of expenditures and encumbrances consistent with the financial plan and shall monitor such monthly levels and require justification to substantiate any departure from an approved level. The Commission must disapprove the issuance of debt obligations if the issuance would impede the purposes of the financial plan or be inconsistent with the financial plan or the Act; debt limits would be exceeded; the ability of overlapping subdivisions to issue unvoted faith and credit debt obligations would be impaired; and their issuance would be likely to lead to the reallocation of minimum levies of other political subdivisions. Expenditures may not be made contrary to an approved financial plan. Expenditures may not be made contrary to a proposed financial plan after it is submitted to the Commission and before it is approved or disapproved; and if it is disapproved, no expenditures may be made which are inconsistent with the reasons given for disapproval.

The Act provides, among other requirements and provisions, that a municipality, county or township subject to such Act must develop an effective financial accounting and reporting system; budgets, appropriations and expenditures are to be consistent with the purposes of the financial plan; permits the issuance of Local Government Fund Notes, payable solely from such a municipal corporation's, county's or township's share of the local government fund pursuant to restrictions imposed by such Act; such a municipal corporation, county or township may include certain covenants in its debt obligations, including a state pledge not to repeal such Act; and permits the municipality to issue current revenue notes and advanced tax payment notes pursuant to the authorization and subject to the restrictions of such Act.

The Finance Director has reviewed applicable portions of the Act and has reviewed records pertaining to the City's circumstances with respect to the Act. The Finance Director, based upon his understanding of the Act, is of the opinion that, with respect to the City, no circumstances or conditions exist that will cause a fiscal emergency condition to be determined to exist under the Act.

CITY DEBT AND OTHER LONG TERM OBLIGATIONS

The following describes statutory and constitutional debt and ad valorem property tax limitations applying to the City, and presently outstanding and projected bond and note indebtedness and certain other long- term financial obligations of the City.

No bonds have been authorized by the electors that have not yet been issued.

The City is not and has never been in default on any of its debt obligations.

Statutory Direct Debt Limitations

The Revised Code provides that the aggregate principal amount of voted and unvoted “net indebtedness” of a municipal corporation, such as the City, may not exceed 10½% of the total value of all property in such municipal corporation as listed and assessed for taxation, and that the aggregate principal amount of unvoted “net indebtedness” of such municipal corporation may not exceed 5½% of such value.

In calculating “net indebtedness,” the Revised Code provides that certain obligations of a municipality are not to be considered in the calculation, including self-supporting obligations, revenue bonds and special assessment debt. (For a complete list of exempt debt see the Financial Statement attached as Appendix C)

Other infrequently issued types of obligations are also excluded from the calculation of net indebtedness; the City has no such obligations outstanding. Notes issued in anticipation of bonds excluded from the calculation of net indebtedness are also excluded from such calculation. In calculating net indebtedness, amounts in a county’s bond retirement fund allocable to the principal amount of bonds otherwise included in the amount of net indebtedness are deducted from the total net indebtedness of such municipality.

Appendix C of this Annual Statement is a Financial Statement for the City, certified by the Finance Director, calculating the amount of the outstanding obligations of the City (including the Notes) which are subject to the total direct debt limit (10½% limit) and the unvoted direct debt limit (5½% limit). The total principal amount of voted and unvoted general obligation debt that could be issued by the City, subject to the 10½% total direct debt limitation is \$108,600,096 and the City’s net debt subject to such limitation presently outstanding is \$9,670,000 leaving a balance of approximately \$98,930,096 borrowing capacity issuable within such limitation on combined voted and unvoted non-exempt debt. The City has no voted debt outstanding which is subject to such limitation as indicated on pages 36 & 37 herein.

The total unvoted City general obligation debt that could be issued subject to the 5½% unvoted direct debt limitation is \$56,885,764. The net City debt subject to such limitation presently outstanding, is \$9,670,000, leaving a balance of approximately \$47,215,764 of additional unvoted non-exempt debt that could be issued by the City under such 5½% limitation.

However, as described below, the City’s ability to incur debt in these amounts is restricted by the indirect debt limitation. In the case of unvoted general obligation debt, both the direct and the indirect debt limitations must be met.

Indirect Debt Limitations and Overlapping Debt

Although the Ohio Constitution does not impose any direct restraint on the amount of debt that may be incurred by a municipality, it does indirectly impose a debt limitation on unvoted bonds because of the ten-mill tax limitations (Article XII, Section 2 of the Ohio Constitution), and a mandatory duty to provide for the levy of taxes to pay bonded debt (Article XII, Section 11 of the Ohio Constitution). The two constitutional provisions operate as a debt limit on unvoted bonds.

In determining whether or not unvoted bonds may be issued within the constitutional or indirect debt limit, the outstanding unvoted bonded indebtedness of all overlapping political subdivisions and not only the debt of the issuing municipality must be considered. Since the constitutional debt limit results from tax limitations and the requirement to levy taxes to pay bonds, it has application only to debts which are payable from taxes either initially or in the event other non-tax revenues pledged prove to be insufficient. It does not have any application where the type of bonds being issued does not pledge the credit of the municipality or when bonds are payable solely out of the revenues of non-tax sources, such as utility income; nor does this limitation apply to mortgage revenue bonds.

Unlike the statutory debt limitations, the test for applying the indirect or constitutional limitations may not be expressed in terms of a percentage of tax valuation. The amount of bonds that may be issued under the indirect limitations is determined by whether the aggregate combined amount required for principal and interest on the proposed bonds in a given year is greater than the number of dollars that will be produced by a tax levy equal to the millage available. The millage available is determined by subtracting from ten (10) mills the number of mills required for unvoted outstanding general obligation bonds issued by the issuing municipality and all other political subdivisions that overlap the municipality. It is important to understand that in arriving at the available millage as far as the indirect debt limitation is concerned, it is not the millage that is actually being used to pay debt requirements; rather it is the millage that could be required to pay all existing debt subject to the constitutional or indirect limitations and the millage that could be required to retire the proposed issue.

The Fairfield City School District, the Lakota Local School District, the Butler Technology & Career Center Joint Vocational School District and the County of Butler, which overlap the City, are separate political subdivisions with operating and debt service funding separate from that of the City.

The Board of Education of the said school districts cannot incur more than one-tenth of one percent of their assessed valuations as general obligation debt without majority approval of the voters. A board of education may request voter approval of general obligation debt not in excess of nine per centum (9%) of the assessed valuation of the school district. Under Ohio law, before seeking voter approval, a board of education is required under certain circumstances to receive the consent of the Ohio Department of Taxation and the State Superintendent of Public Instruction in accordance with policies adopted by the State Board of Education.

The Board of County Commissioners of the County of Butler, Ohio, cannot incur unvoted general obligation debt in excess of one percent of its assessed valuation, which debt must be included with voted county debt against an overall county debt limitation of three per centum (3%)

of the first one hundred million dollars (\$100,000,000) of its assessed valuation, plus one and one-half per centum (1½%) of the next two hundred million dollars (\$200,000,000), plus two and one-half per centum (2½%) of all assessed valuation in excess of three hundred million dollars (\$300,000,000). However, the board of county commissioners may authorize general obligation revenue or special assessment supported bonds for utilities and certain other purposes, which are exempt from unvoted debt limitations to the extent net revenues or assessments service such general obligation bonds. Such obligations are subject to the indirect tax or ten-mill limitation described above.

Appendix D of this Annual Information Statement is the most recent Ten-Mill Certificate, certified by the Butler County Auditor as of April 8, 2020, calculating the required tax rate, in mills, required to pay debt service for unvoted general obligation debt of the City and its overlapping political subdivisions for the fiscal year in which the debt service will be the highest. The Ten-Mill Certificate indicates all unvoted general obligation debt of the City and its overlapping subdivisions, require 4.2054 mills to be levied (2.1327 mills of which are attributable to the City), if the debt is not paid from other revenues, leaving 5.7946 mills of unused debt capacity under the direct limitation to the City and its overlapping political subdivisions for the issuance of additional unvoted general obligation debt.

The net overall debt for the City and its overlapping subdivisions is set forth in Debt Table A.

Debt Table A
Fairfield Debt and Overlapping Debt
August 14, 2020*

Net Debt of City	\$16,595,000
Per Capita City Debt	\$389
City Debt as a percentage of Tax Valuation	1.58%
Net Overlapping Debt (all political subdivisions)	\$66,600,691
Per Capita Overlapping Debt	\$1,562
Overlapping Debt as a percentage of Tax Valuation	6.35%

Source: Ohio Municipal Advisory Council (OMAC).

*OMAC date of record is approximately three weeks ahead of actual date.

Bond Anticipation Notes

Under Ohio law applicable to the City, notes, including renewal notes, issued in anticipation of the issuance of general obligation bonds may be issued from time to time up to a maximum maturity of 20 years from the date of issuance of the original notes (except for notes issued in anticipation of special assessments, for which the maximum maturity is five years). Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of such notes must be retired in amounts at least equal to and payable not later than principal maturities that would have been required if the bonds had been issued at the expiration of the initial five year period.

As of August 1, 2020, the City had \$5,300,000 in the form of general obligation bond anticipation notes. The ability of the City to retire any bond anticipation notes from the proceeds of the sale of either renewal notes or bonds would be dependent upon the marketability of such renewal notes or bonds under market conditions then prevailing. Under Ohio law, the greater of ten and one-half percent or one percent below the base rate for advances and discounts to member banks in effect at the Federal Reserve Bank in the Second Federal Reserve District on its third business day preceding the day of adoption of the ordinances or resolution providing for the issuance of the bonds, notes or other obligations, is the highest annual interest rate permitted on general obligation bonds and notes of the City.

The ability of the City to retire its outstanding bond anticipation notes from the proceeds of the sale of either renewal notes or bonds will be dependent upon the marketability of such renewal notes or bonds under market conditions then prevailing. Under Ohio law, the greater of ten and one-half percent or one percent below the base rate for advances and discounts to member banks in effect at the Federal Reserve Bank in the Second Federal Reserve District on its third business day preceding the day of adoption of the ordinances or resolution providing for the issuance of the bonds, notes or other obligations, is the highest annual interest rate permitted on general obligation bonds and notes of the City.

Debt Currently Outstanding

Debt Table B lists the current outstanding indebtedness of the City in the form of bonds and notes:

Debt Table B
Principal Amount of Debt Outstanding
as of August 1, 2020

General Obligation Bonds

<u>Date of Issue</u>	<u>Purpose</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Coupon Maturity</u>	<u>Final Bond</u>	<u>Amount Outstanding</u>
6/29/10	Road Improvements	\$9,125,000	2.00-6.09%	J1 - D1	12/1/30	\$5,575,000
5/9/12	Various Purpose Ref.	7,930,000	2.00-3.00	J1 - D1	12/1/23	2,145,000
8/16/17	Various Purpose Ref.	<u>3,615,000</u>	1.50-4.00	J1 - D1	12/1/29	<u>3,575,000</u>
<u>\$20,670,000</u>			<u>\$11,295,000</u>			

Special Assessment Bonds

<u>Date of Issue</u>	<u>Purpose</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Coupon Maturity</u>	<u>Final Bond</u>	<u>Amount Outstanding</u>
11/28/17	Sidewalk*	\$63,694	0.33-1.33%	D1	12/01/21	\$25,520
11/28/17	Sidewalk*	43,116	0.18-0.90	D1	12/01/22	25,980
12/01/18	Sidewalk*	<u>38,109</u>	2.50	D1	12/01/23	<u>30,859</u>
						\$82,359

* These bonds are held by the City Treasury.

Bond Anticipation Notes

Payable by renewal notes, levy of special assessments or surplus utility system revenues and/or bonds issued in anticipation of the collection of special assessments, revenue bonds or general obligation-revenue supported bonds.

Bond Anticipation Notes

<u>Original Date of Issue</u>	<u>Date of Issue</u>	<u>Purpose</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
05/03/17	04/28/20	Various Purpose*	\$5,000,000	2.25%	04/27/21	\$5,300,000

* This note combines two notes, the first of which was originally issued in 2017.

OWDA Loans

<u>Date of Issue</u>	<u>Purpose</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
	None				

These contracts are not bonded debt obligations of the County under Chapter 133 of the Ohio Revised Code, and are therefore not considered to count against the debt limitations.

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Debt Table C-1
SUMMARY OF DEBT SERVICE DUE ON OUTSTANDING OBLIGATIONS
AUGUST 1, 2020
BY PRINCIPAL ONLY

<u>DATE</u>	BOND ANTICIPATION	GENERAL <u>OBLIGATION</u>	SPECIAL <u>ASSESSMENT</u>	OWDA	<u>TOTAL</u>	% OF <u>PRINCIPAL</u> <u>REMAINING</u>
	<u>NOTES*</u>	<u>BONDS</u>	<u>BONDS</u>	<u>LOANS</u>		
12/31/20	\$160,000.00	\$1,345,000.00	\$28,735.88	\$0.00	\$1,533,735.88	90.80%
12/31/21	170,000.00	1,375,000.00	29,094.78	0.00	1,574,094.78	81.36
12/31/22	175,000.00	1,270,000.00	16,524.53	0.00	1,461,524.53	72.60
12/31/23	185,000.00	1,310,000.00	8,002.72	0.00	1,503,002.72	63.59
12/31/24	195,000.00	830,000.00	0.00	0.00	1,025,000.00	57.44
12/31/25	205,000.00	850,000.00	0.00	0.00	1,055,000.00	51.12
12/31/26	215,000.00	885,000.00	0.00	0.00	1,100,000.00	44.52
12/31/27	225,000.00	915,000.00	0.00	0.00	1,140,000.00	37.69
12/31/28	235,000.00	945,000.00	0.00	0.00	1,180,000.00	30.61
12/31/29	250,000.00	975,000.00	0.00	0.00	1,225,000.00	23.27
12/31/30	260,000.00	595,000.00	0.00	0.00	855,000.00	18.14
12/31/31	275,000.00	0.00	0.00	0.00	275,000.00	16.49
12/31/32	290,000.00	0.00	0.00	0.00	290,000.00	14.75
12/31/33	300,000.00	0.00	0.00	0.00	300,000.00	12.95
12/31/34	320,000.00	0.00	0.00	0.00	320,000.00	11.03
12/31/35	330,000.00	0.00	0.00	0.00	330,000.00	9.05
12/31/36	350,000.00	0.00	0.00	0.00	350,000.00	6.96
12/31/37	370,000.00	0.00	0.00	0.00	370,000.00	4.74
12/31/38	385,000.00	0.00	0.00	0.00	385,000.00	2.43
12/31/39	<u>405,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>405,000.00</u>	<u>0.00</u>
TOTALS	\$5,300,000.00	\$11,295,000.00	\$82,357.91	\$0.00	\$16,677,367.91	

* DEBT SERVICE ON THE NOTES IS COMPUTED AS IF THE NOTES WERE CONVERTED TO BONDS ISSUED AUGUST 1, 2020, FIRST INTEREST DECEMBER 1, 2020, FIRST MATURITY DECEMBER 1, 2020, LAST MATURITY DECEMBER 1, 2037, BASED ON LEVEL DEBT SERVICE AND A 5.00 % COUPON.

Debt Table C-2
SUMMARY OF DEBT SERVICE DUE ON OUTSTANDING OBLIGATIONS
AUGUST 1, 2020
BY TOTAL DEBT SERVICE

<u>DATE</u>	BOND ANTICIPATION <u>NOTES*</u>	GENERAL OBLIGATION <u>BONDS</u>	SPECIAL ASSESSMENT <u>BONDS</u>	OWDA LOANS	<u>TOTAL</u>	% OF DEBT SERVICE <u>REMAINING</u>
12/31/20	\$292,500.00	\$1,588,783.75	\$29,991.96	\$0.00	\$1,911,275.71	91.47%
12/31/21	427,000.00	1,819,958.50	29,991.96	0.00	2,276,950.46	81.32
12/31/22	423,500.00	1,660,603.50	16,998.45	0.00	2,101,101.95	71.94
12/31/23	424,750.00	1,657,454.50	8,202.79	0.00	2,090,407.29	62.62
12/31/24	425,500.00	1,133,002.00	0.00	0.00	1,558,502.00	55.67
12/31/25	425,750.00	1,112,333.00	0.00	0.00	1,538,083.00	48.81
12/31/26	425,500.00	1,112,633.00	0.00	0.00	1,538,133.00	41.95
12/31/27	424,750.00	1,099,225.00	0.00	0.00	1,523,975.00	35.15
12/31/28	423,500.00	1,081,443.50	0.00	0.00	1,504,943.50	28.43
12/31/29	426,750.00	1,062,148.50	0.00	0.00	1,488,898.50	21.79
12/31/30	424,250.00	631,235.50	0.00	0.00	1,055,485.50	17.08
12/31/31	426,250.00	0.00	0.00	0.00	426,250.00	15.18
12/31/32	427,500.00	0.00	0.00	0.00	427,500.00	13.28
12/31/33	423,000.00	0.00	0.00	0.00	423,000.00	11.39
12/31/34	428,000.00	0.00	0.00	0.00	428,000.00	9.48
12/31/35	422,000.00	0.00	0.00	0.00	422,000.00	7.60
12/31/36	425,500.00	0.00	0.00	0.00	425,500.00	5.70
12/31/37	428,000.00	0.00	0.00	0.00	428,000.00	3.79
12/31/38	424,500.00	0.00	0.00	0.00	424,500.00	1.90
12/31/39	<u>425,250.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>425,250.00</u>	0.00
TOTALS	\$8,373,750.00	\$13,968,820.75	\$85,185.16	\$0.00	\$22,417,755.91	

* DEBT SERVICE ON THE NOTES IS COMPUTED AS IF THE NOTES WERE CONVERTED TO BONDS ISSUED AUGUST 1, 2020, FIRST INTEREST DECEMBER 1, 2020, FIRST MATURITY DECEMBER 1, 2020, LAST MATURITY DECEMBER 1, 2037, BASED ON LEVEL DEBT SERVICE AND A 5.00 % COUPON.

Future Financing

The City intends to refinance the outstanding bond anticipation notes listed above upon maturity. Additionally, the City is analyzing a refinancing of the 6/29/10 Road Improvement issuance.

Long Term Obligations Other Than Bonds and Notes

The City has no other significant long-term obligations other than its pension obligations discussed below.

Pension Obligations

Employers Contribution to Public Employees Retirement System

<u>Year</u>	<u>Employer's Contribution</u>	<u>Contribution</u>
2015	14.00%	\$1,828,837
2016	14.00	1,856,993
2017	14.00	1,889,939
2018	14.00	1,930,559
2019	14.00	2,010,814

City employees are covered by the Public Employees Retirement System (“OPERS”). The Ohio Police and Firemen’s Pension Fund (“OP&F”) covers police and fire employees. This system includes both employee and employer payments. The City’s contributions are current and fully met as required by law. Annual contributions include provision for reserves to properly fund pension and other benefits payable on account for creditable service. The system is annually evaluated by nationally recognized actuarial consultants.

OPERS provides coverage for approximately 184 present full and part-time employees of the City. Currently, employees contribute at a statutory rate of 10% of earnable salary or compensation. As indicated above, the City currently contributes at a rate of 14% of the same base, the rate statutorily established for OPERS. These rates are currently set to the statutory maximum by the OPERS Board. Benefits for members of OPERS are established under state laws.

The City’s 2019 payroll for employees under OPERS was \$14,362,958. The City’s current-year covered payroll for employees under OP&F was \$5,761,089 for Police and \$3,318,852 for Fire. The City’s total payroll for the year ended December 31, 2019 was \$25,461,800. The City’s annual pension contribution, which totaled \$3,930,751 for 2019 is treated as a current expense and is included in its operating expenditure.

OP&F provides coverage for approximately 96 full-time employees of the City's police and fire departments, who contributed at a statutory rate of 10% of gross earnings until July 2013, when the rate increased to 10.75%. As of July 2014, the rate increased to 11.5%. The City currently contributes (for the year 2014) at a rate of 19.5% for police employees and 24% for fire employees. This rate is fixed by the Board of Trustees of the OP&F on the basis of actuarial evaluations required by law to be made each year.

The City has made the following contribution to OP&F over the last five years:

<u>Year</u>	<u>Amount</u>
2015	\$1,573,492
2016	1,618,286
2017	1,697,168
2018	1,862,248
2019	1,919,937

OP&F and OPERS are not presently subject to the funding and vesting requirements of the Federal Employee Retirement Income Security Act of 1974 ("ERISA"), however, such pension funds are complying with review legislation regulating pension funds for public bodies and governments. Additional financial information concerning OPERS and OP&F can be found on their respective websites and in their annual audits, which are available at the Ohio State Auditor's website.

LEGAL MATTERS

Litigation

The City is a party to various legal proceedings seeking damages or injunctive relief and generally incidental to its operations but unrelated to any outstanding City debt or the security therefore. The ultimate disposition of these proceedings is not presently determinable but will not, in the opinion of the Law Director (the legal advisor to the City Council), have a material adverse effect on any outstanding City debt or the security therefore.

Bond Counsel

The City retains the legal services of Dinsmore & Shohl LLP, as Bond Counsel in connection with the issuance of the bonds and notes of the City.

Dinsmore & Shohl LLP, also serves and has served in a bond counsel capacity for one or more of the political subdivisions that territorially overlap the City.

RATINGS

The City has a rating from Moody's Investors Service, Inc. for its outstanding general obligation bonds. That rating reflects only the views of such rating agency. Any explanation of the significance of the rating may only be obtained from the rating agency. The City furnished to the rating agency certain information and materials, some of which may not have been included in this Annual Statement, relating to the outstanding general obligation bond issues and the City. Generally, the rating agency bases their ratings on such information and materials and investigation, studies and assumptions by the rating agency. There can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the City's outstanding obligations.

The City presently expects to furnish such rating agency with information and material that it may request on future general obligation bond issues. However, the City assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. Failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of the rating agency's ratings on outstanding general obligation bonds.

At the present time, the City's general obligation bond issues are rated "Aa1" by Moody's Investors Service, Inc.

CONTINUING DISCLOSURE

The City plans to meet all of the continuing disclosure requirements to be in compliance with Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule"). The City enters into a separate Continuing Disclosure Agreement or Certificate for each transaction that is subject to the provisions of the Rule. See the Official Statement circulated for a specific issue for the exact continuing disclosure covenants of each issue.

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CONCLUDING STATEMENT

To the extent that any statements made in this Annual Statement involve matters of opinion or estimates, whether or not expressly stated, these statements are made as such and not as representations of fact or certainty, and no representation is made that any opinions or estimates in these statements will be realized. Information herein has been derived by the City from official and other sources and is believed by the City to be reliable, but such information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

This Annual Statement has been prepared by the City of Fairfield under the direction of the Fairfield City Council with the assistance of the Director of Finance.

CITY OF FAIRFIELD, OHIO

By: /s/ Scott Timmer
Director of Finance

Dated: August 1, 2020

APPENDIX A
2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT

[SEE ATTACHED]

For audited financial statements of the City relating to prior fiscal years, please visit www.ohioauditor.gov.

APPENDIX B
2020 BUDGET APPROPRIATION SUMMARY

[SEE ATTACHED]

APPENDIX C
FINANCIAL STATEMENT

[SEE ATTACHED]

APPENDIX D
TEN MILL CERTIFICATE

[SEE ATTACHED]

APPENDIX E
RATES OF TAXATION IN BUTLER COUNTY, OHIO

[SEE ATTACHED]