

Preliminary Evaluation of Riverlea Annexation

Prepared by the City of Worthington

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Introduction

In late 2010, Attorney Duncan Aukland, who resides in the Village of Riverlea and represents a group of Riverlea residents that desire to annex Riverlea into Worthington, met with representatives of the City of Worthington. The group of residents had reviewed the Ohio Statutes regarding the process for annexing a village into a city and initiated the process by circulating a petition in support of annexation. According to Ohio law, at least 25% of the number of Riverlea electors who voted in the last municipal election needed to sign the petition to initiate the “petition method”. On February 2, 2011, the Franklin County Board of Elections issued a letter indicating they found the petition to contain the required number of valid signatures.

Pursuant to Ohio law, the Village of Riverlea passed an ordinance on February 22, 2011 declaring its intent to enter into annexation negotiations with the City of Worthington and appointing three commissioners to represent the Village in the negotiations. A certified copy of the Riverlea ordinance was delivered to the City of Worthington on March 11, 2011. According to Ohio law, the City has 30 days from the date on which the certified ordinance was received to decide whether to appoint three commissioners to represent the City in the negotiations. This report has been prepared to provide information that may be useful in deciding whether to enter into negotiations. It may also serve useful in informing the negotiations if they occur.

Riverlea

According to the 2010 U.S. Census, Riverlea is home to 545 residents with 236 housing units. ESRI projections indicate 80.9% of the Village’s housing units are owner-occupied. The Village has a projected per capita income of \$48,935 and median household income of \$100,453. Projected median home value is \$218,500 and median age is 48.9 years.

According to the Village of Riverlea’s website, the settling of Riverlea was tied to the settling of Worthington in the early 1800s. Both areas were settled by the Scioto Company whose representatives first headed out from Granby, Connecticut in 1802. The land that is now Riverlea was partitioned by the Scioto Company to Zophar Topping and Nathan Stewart in 1804 and was subsequently purchased during the War of 1812 by the Worthington Manufacturing Company, owned by Moses Maynard and Ezra Griswold, Jr. After the Civil War, the Noble family purchased it and held it into the 1900s.

The development of Riverlea dates to 1923 and 1924. Riverlea was developed by the Van Deboe-Hager Company of Cleveland, with the first section including the northeast corner along High Street at Riverglen Drive and then west to Crescent Court. This section quickly expanded from High Street to the river. Riverlea was incorporated into a village in 1939.

Riverlea's original plat included a number of covenants intending to impose a standard of quality, which resulted in homes that were considered expensive in the 1920s. The covenants also provided for community ownership of the streets and two parks/circles on Riverglen Drive.

Worthington

According to the 2010 U.S. Census, Worthington is home to 13,575 residents with 5,940 housing units. ESRI projections indicate 75.4% of the City's housing units are owner-occupied. The City has a projected per capita income of \$37,047 and median household income of \$75,434. Projected median home value is \$191,333 and median age is 47.1 years.

Worthington was settled in 1803 by several New England families from the Farmington River Valley of Connecticut and Massachusetts, under the leadership of pioneer businessman James Kilbourne. In 1802, Kilbourne organized a group of men to form the Scioto Company and headed west from Granby, Connecticut to explore and find land to create a new community. With help from his friend, Thomas Worthington, Kilbourne purchased 16,000 acres of land on behalf of the Scioto Company for \$1.25 an acre. When Kilbourne returned to New England, he planned the layout for the village. He platted a New England-type village of 164 lots around a central public square, which was designated for religious and educational purposes, as well as a spot for community gatherings.

In September 1803, eleven families left their Connecticut homes and traveled by wagon train to their new home in Ohio. It took six weeks for the families to travel the 600 miles to their new home, arriving in October of 1803. They named their new village Worthington, in honor of Thomas Worthington, one of Ohio's first senators and a future governor of Ohio, for his assistance in locating the tract of land that would become Worthington.

Worthington became a village in 1835 and took on the characteristics of a suburb of Columbus in 1893 when the electric street railway connection was built. In 1954, the Colonial Hills subdivision annexed to Worthington resulting in more than 5,000 residents and the transition to city status. Most of the rest of the city's growth occurred from 1950 to 1970.

Annexation Process

The proposed annexation is proceeding under the “petition method” of Ohio law. This method is available when two municipal corporations are involved. This process is initiated when petitioners obtain the signatures of at least 25% of the number of electors who voted in the last municipal election. This step has been accomplished by residents of Riverlea and the Franklin County Board of Elections notified the Clerk-Treasurer of the Village of Riverlea that the petition had the requisite number of signatures on February 12, 2011.

Once this step occurs, the Riverlea Village Council shall pass an ordinance declaring its intention to enter into negotiations with Worthington within 30 days. This has occurred and the Riverlea Village clerk filed a certified copy of the ordinance with the Worthington City Council on March 11, 2011.

Now that the certified copy of the ordinance has been received by Worthington, the City Council may designate three commissioners to represent Worthington in annexation negotiations. If the Council chooses to do so, it must be done within 30 days of receipt of the ordinance from Riverlea. If the Council chooses not to appoint commissioners, the annexation process described in the statutes stops unless 25% of Worthington electors petition to have the commissioners appointed.

If the City Council decides to designate three commissioners, the commissioners from Riverlea and Worthington arrange the conditions of annexation and report their results to Riverlea Village Council and Worthington City Council. If they are unable to agree on conditions of annexation within 120 days, the Franklin County Probate Judge will appoint an additional commissioner, who is not a resident of Worthington or Riverlea, to work on arranging the conditions. The conclusions arrived at and agreed upon by any four commissioners shall be the conditions submitted to the voters of Worthington and Riverlea.

Within 30 days of receiving the conditions, the Riverlea Village Council and Worthington City Council shall order the question of annexation to be submitted to a vote at the next regular election occurring not less than 90 days after filing the conditions of annexation.

Worthington City Council has the option to assent to annexation and waive the submission of the questions to electors of the City. If that occurs, 25% of the electors of Worthington can file a petition to force an election.

Worthington Services

Engineering, Building Regulation, Planning & Zoning

If annexation occurs, building-related activity would be reviewed and regulated by the City of Worthington. In reviewing the permit activity experienced by the Village of Riverlea in the last two years, it has averaged about 15 building permits per year. With an average residential building permit of \$150, the permits would generate revenue of approximately \$2,250 per year. This level of activity is not enough to have a significant impact on the operation of the City's Building Regulation Division.

If annexation occurs, the properties that are adjacent to High Street would become a part of the City's Architectural Review District. It is not yet clear whether other parts of Riverlea would be a part of the district. That decision would likely be determined during negotiations about the annexation. Currently, only the High Street corridor, Dublin-Granville Road corridor and Old Worthington are a part of the district. The small number of High Street properties would not have a noticeable impact on the City's Architectural Review process. The impact of the inclusion of the entire village in the architectural review district would need to be evaluated as part of the negotiations.

Fire & Emergency Medical Services

The City of Worthington currently provides fire and emergency medical services to the Village of Riverlea through an agreement with Sharon Township. At the time the Fire Department transferred from the Township to the City, the City and Township entered into the agreement which calls for the City to continue to provide fire, emergency medical and fire inspection and prevention services to the Village of Riverlea and the unincorporated areas of Sharon Township. In return, the Township pays the City the amount collected from the mill levy that is in place for fire services. Riverlea residents currently pay an effective rate of 1.489950 mills (voted rate: 3.0 mills) to the Township for the fire district.

If annexation occurs, the level of fire, emergency medical, and fire inspection and prevention services would remain the same and would not have an impact on the Fire Department. Riverlea residents would not pay the Township Fire District levy, so 3.0 mills (effective rate: 1.489950 mills) of property taxes would be eliminated for Riverlea residents. The fire services payment from the Township to the City would decrease by \$35,000, which is the amount currently collected from Riverlea.

Parks & Recreation

Village of Riverlea residents currently receive very few parks and recreation services although they can currently utilize the City's parks and participate in offerings by the City of Worthington at nonresident rates. The Village of Riverlea contains two small park-like circles on Riverglen Drive. If annexation occurs, the City would maintain these areas in the same manner in which the City currently maintains green space in Worthington, which would involve mowing and general maintenance such as mulching, removal of weeds, bench maintenance and tree care. These services are estimated to cost the City approximately \$2,500 annually.

Additionally, Riverlea residents would have access to all of the parks and recreation offerings that Worthington residents currently enjoy. They would be eligible for the discounted resident rates at the Community Center and Griswold Center for memberships, classes, trips, and facility rental. This may result in a slight impact to the City's revenue if current members shift to the reduced prices, however there could also be Riverlea residents that currently do not participate that choose to take advantage of the discounted prices. The financial impact is not expected to be significant.

Police

The Village of Riverlea currently contracts with the City of Worthington for police services. The contract allows up to a maximum of 1,144 hours of police protection services per year. According to the contract, police protection services include:

- a) routine traffic and residential patrol of Riverlea streets, as well as routine Animal Control consistent with the service provided to Worthington residents;
- b) response to emergency calls and citizen complaints other than the performance of police in investigative services;
- c) appearance time by members of the Worthington Division of Police in any court relating to the prosecution of traffic or criminal charges brought in connection with this contract;
- d) the Worthington Division of Police shall maintain records of action taken in Riverlea in accordance with current public records law and will submit a monthly and annual activity report to the Village of Riverlea.

In exchange for these services, the Village of Riverlea pays a monthly fee to the City of Worthington. The 2011 monthly fee amount is \$5,064.17, for an annual fee of 60,770.04. Additionally, the contract indicates a charge of \$40.54 per hour for police investigative services

up to a maximum of \$15,000. The services provided in Riverlea have not typically involved investigative services so this charge has not been utilized in recent years.

If annexation occurs, the level of police services provided to Riverlea would remain the same and would not have an impact on the operations of the Police Department. The City would no longer receive the revenue (\$60,770.04) paid by the Village under the contract.

Public Service

The Department of Public Service does not currently provide services to the Village of Riverlea. Upon annexation, the City would extend snow/ice control, leaf collection, street sweeping, and maintenance of the sanitary sewer and storm sewer systems, trees in the rights-of-way, streets, signs, and fire hydrants. The cost to the City of providing these services currently equals \$121.25 per Worthington household. Riverlea has 236 households according to the 2010 census. Based on this per household amount, it would cost \$28,615 to provide these same services to Riverlea. This is a very rough estimate of cost and should be further defined through more detailed analysis before annexation would occur.

The City of Worthington contracts with Rumpke for solid waste collection. This includes curbside pickup of refuse, recycling and yard waste. Based on the cost of the City's current contract with Rumpke, it would cost the City \$46,605 to provide solid waste collection services to Riverlea.

In evaluating the impact of providing these services to Riverlea on the current operation of the Department of Public Service, the Director indicates the current staff operates close to maximum capacity. The staffing level is appropriate for the size of Worthington now, however he is concerned about the impact of adding responsibility for an additional 236 household, 5.15 lane miles of roads, 18 fire hydrants, and numerous signs while maintaining the current level of staffing.

Riverlea Capital Infrastructure

The Village of Riverlea has provided several reports on the current condition of its capital infrastructure. These reports have provided useful information about the streets, curbs, gutters and sanitary sewers.

In considering the condition and needs of the Village's streets, curbs and gutters, City staff has reviewed the 2009 Street Evaluation and Improvement Program Report prepared by Burgess & Niple and the 2006 evaluation conducted by Bird+Bull. Based on the information contained in

both reports, there is a range of \$1,481,000 (in 2006 dollars) up to \$4,082,800 (in 2009 dollars) of work that is needed to address the current condition of the streets, curbs and gutters. Worthington's City Engineer believes this work could be spread out over a ten-year timeframe. He inflated the cost to 2016 dollars, which would fall in the middle of the ten years, and determined the work could be achieved for between \$200,000 and \$500,000 per year for ten years. If annexation occurs, this work would be incorporated into the City's annual street improvement program which would need to be increased by the amount of work to be done in Riverlea to avoid negatively impacting the other streets in Worthington.

The Village of Riverlea, like the City of Worthington, is operating under Findings and Orders from the Ohio Environmental Protection Agency related to the sanitary sewer system. As a result of those findings, the Village contracted with Burgess & Niple to inspect and evaluate the sanitary sewer system. This evaluation has identified approximately \$600,000 of maintenance and repair work that needs to be completed plus there are several unknown items noted in the report. Given the unknown items, Worthington's City Engineer believes the cost of the sanitary sewer work could be approximately \$1,000,000. These costs could be bonded and paid over 30 years. If that occurs, 30-year bonds at five percent interest would result in annual debt service of approximately \$32,350.

While there are informative studies about the current condition of the streets, curbs, gutters and sanitary sewers, there is less information available about the water lines in Riverlea. The water lines are 80 years old, however there is minimal history of breaks. Worthington's City Engineer obtained a record of the water line breaks that have occurred in Riverlea. There have been only 11 breaks since 1971, including one each in 2008, 2009, and 2010. This information leads the City Engineer to believe that while the lines are old, he would anticipate they could be in service for a long time.

The City has no information about the current condition of the storm sewer system. This is an area that needs to be evaluated if annexation is pursued.

Financial Analysis

Property Tax

Currently, Village of Riverlea residents pay an effective millage rate of 76.104382 (voted millage: 121.91), which equates to a tax liability of \$5,327.31 for a \$200,000 house. This is distributed as follows:

	Voted <u>Millage</u>	Effective <u>Millage</u>
Franklin County (all areas)	18.07	16.792344
Sharon Township – Cemetary	0.50	0.500000
Sharon Township – Fire District	3.00	1.489950
Riverlea Levy	7.00	7.000000
Worthington Public Library	4.80	3.396405
Worthington City School District	<u>88.54</u>	<u>46.925683</u>
	121.91	76.104382

City of Worthington residents pay an effective millage rate of 72.614432 (voted millage: 116.91), which equates to a tax liability of \$5,083.01 for a \$200,000 house. If annexation occurs, Riverlea residents would pay Worthington's effective millage rate. This is distributed as follows:

	Voted <u>Millage</u>	Effective <u>Millage</u>
Franklin County (all areas)	18.07	16.792344
Sharon Township – Cemetary	0.50	0.500000
Worthington City	5.00	5.000000
Worthington Public Library	4.80	3.396405
Worthington City School District	<u>88.54</u>	<u>46.925683</u>
	116.91	72.614432

If annexation occurs, Riverlea residents would see a reduction in their property taxes by an effective millage of 3.48995 mills (voted millage: 5.0 mills). This equates to \$244.30 for a \$200,000 house.

Based on Riverlea's assessed valuation and the millage levied by the City of Worthington (5.0 mills), the City would collect \$117,000 in property taxes from Riverlea if annexation occurs.

Income Tax

The City of Worthington's primary revenue source is the income tax. It makes up 64% of the City's revenue and is the sole source of financial support for the Capital Improvements Program. The Village of Riverlea does not have an income tax. If annexation occurs, some of Riverlea's residents would pay additional taxes in the form of income tax. Riverlea residents that currently work in Worthington would not see a change in their income tax amount since

they already pay 2.5% to the City of Worthington. Riverlea residents that currently work in Columbus would not see a change in their income tax amount since they pay 2.5% to Columbus and the City of Worthington offers full credit for income taxes paid to another city. The rate between the two cities is the same, so nothing additional is due to Worthington. Riverlea residents that work in a city whose income tax rate is less than 2.5% would pay the difference between that city's rate and Worthington's 2.5% rate. Riverlea residents that work at home in Riverlea would pay the 2.5% income tax rate.

The City staff has been unable to identify existing information that would allow for a projection of the amount of new income taxes that would be collected from Riverlea residents. We have not located documentation on where Riverlea residents work and how much income would be subject to the income tax. If annexation is pursued, additional information will be needed to project the amount of new revenue the City would receive in income tax. This could be obtained through a survey of Riverlea residents.

Estate Tax

The Village of Riverlea has averaged \$36,800 in estate tax revenue over the last six years. If annexation occurs, this revenue would be received by the City of Worthington. Members of the State Legislature have expressed interest in eliminating the Estate Tax, so it is unclear whether this revenue source will be available in the future. Even when available, it tends to be a volatile revenue source that is difficult to project from one year to another.

Local Government Fund

The Village of Riverlea will receive \$24,725 from the State's Local Government Fund in 2011. The recently introduced state budget from the Governor proposes a reduction in payments from the Local Government Fund of 25% each of the next two years. If this is approved, it will result in approximately \$12,362 of Local Government Fund revenue for Riverlea in 2013.

Other Revenue Sources

License Tax – The Village of Riverlea charges \$15 for vehicle licenses, while the City of Worthington charges \$20. If annexation occurs, Riverlea residents will pay an extra \$5 when they license their vehicles. With 451 licenses issued to Riverlea residents, the City would receive \$9,020 in license tax revenue.

State Highway & Street Maintenance (Gas Tax) – The Village of Riverlea received \$20,000 from this fund in 2009. The City could expect to receive approximately the same amount if

annexation occurs. Riverlea residents would not see a change in the amount they pay due to annexation.

Sewer & Water Surcharge – The City of Worthington applies a surcharge for water and sewer usage, which is included on the bill that is sent to residents from the City of Columbus. The revenue generated by the surcharge provides a portion of the funding needed for the City of Worthington to maintain the sewer and water systems. The Village of Riverlea does not apply a surcharge. The City of Worthington’s surcharge for water and sewer totals \$1.50 per cubic foot of water used. The average Worthington household uses one cubic foot of water per month, thus pays \$18 in surcharges per year. Since Riverlea’s demographics are very similar to Worthington’s, the average Riverlea household can expect to pay \$18 per year more than what they are currently paying for water and sewer if annexation occurs. These surcharges are estimated to result in approximately \$4,248 in revenue for the City if annexation occurs.

Debt

The Village of Riverlea does not have existing debt. Debt could be issued in the future to address the infrastructure needs in Riverlea.

Summary of Revenue

The following table summarizes the revenue impacts that are projected for the City of Worthington if annexation occurs.

Preliminary Projections of Revenue

Building Permits	\$2,250.00
Township Fire Reduction	(\$35,000.00)
Police Contract Reduction	(\$60,770.04)
Property Tax	\$117,000.00
Income Tax	
Estate Tax	\$36,800.00
Water & Sewer Surcharge	\$4,248.00
State Local Government Fund	\$12,362.50
License Tax	\$9,020.00
State Highway & Street Maintenance	<u>\$20,000.00</u>
	\$105,910.46

If annexation is pursued, additional analysis should be conducted to refine the projected revenue. These estimates do not include income tax collections since no estimates are

currently available about the amount of new income tax revenue that would be received by the City upon annexation.

Summary of Expenses

The following table summarizes the expenditures that are projected for the City of Worthington to provided services to Riverlea.

Preliminary Projections of Expenditures

Parks Maintenance	\$2,500
Service Dept. Maintenance	\$28,615
Solid Waste Collection	\$46,605
Street, Curb, Gutter Repair & Replacement	\$200,000 - \$500,000
Sanitary Sewer Repair & Replacement	\$32,350
Water Line Repair & Replacement	
Storm Sewer Repair and Replacement	
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	\$310,070 - \$610,070

If annexation is pursued, additional analysis is needed to refine the projections. These estimates do not include repair and replacement of the water lines and storm sewer system since very little information is available about the current condition of those systems. The expenditures that are projected are only general estimates based on the information that is currently known.

Other Financial Assets

As of the end of 2010, the Village of Riverlea had fund balances totaling \$460,222. Information about the projected fund balances at the end of 2011 was not available at the time this report was prepared and should be understood if annexation is pursued.

Areas for Additional Analysis

Given the short timeframe for developing this report, there are a number of items that need further consideration and analysis if annexation is pursued. These items include:

- Income tax revenue that would be received by the City of Worthington
- Condition of water lines and storm sewer system
- Refinement of costs for services provided by the City's Department of Public Service
- Projection of fund balances for 2011
- Existing or possible claims and litigations involving the Village of Riverlea

- Conditions associated with the “reserve” around the Village
- Real property and zoning regulations
- Intergovernmental and inter-jurisdictional agreements
- Contracts, licenses and other agreements
- Mutual aid and automatic response agreements
- Insurance policies
- Investments
- Impacts of annexation on Sharon Township
- Governance structure
- Village employees