

CITY OF TOLEDO, OHIO

2022

Annual Information Statement

in connection with Bonds and Notes of the City of Toledo



In addition to providing information on an annual basis, the City of Toledo intends that this Annual Information Statement be used, together with information to be provided by the City specifically for that purpose, in connection with the original offering and issuance by the City of its bonds and notes.

Questions regarding information contained in this Annual Information Statement should be directed to:

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The date of this Annual Information Statement is September 29, 2022.

REGARDING THIS ANNUAL INFORMATION STATEMENT

The information and expressions of opinion in this Annual Information Statement are subject to change without notice. Neither the delivery of this Annual Information Statement nor any sale made under an Official Statement or other offering document of which it is a part shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the City since its date.

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INTRODUCTORY STATEMENT

This “Annual Information Statement in connection with Bonds and Notes of the City of Toledo” (the Annual Statement) has been prepared by the City of Toledo, Ohio (the City), to provide financial and other information and operating data relating to the City for its Fiscal Year 2021 and as of its date. The City also intends that this Annual Statement be used in conjunction with specific offering information to be provided by the City in connection with the original issuance and sale by the City of issues of bonds or notes, which offering information, taken together with this Annual Statement, would serve as the Official Statement for each of those issues.

The City has entered into continuing disclosure agreements (collectively, the Continuing Disclosure Agreements) required pursuant to Securities and Exchange Commission (SEC) Rule 15c2-12 (the Rule) in connection with the primary offerings and issuances by the City of certain of its bond issues that require the provision and dissemination of annual financial information and operating data for its immediately preceding fiscal year of the type included in the final official statements for those offerings and timely notification of certain “material” events.

This Annual Statement includes the annual financial information and operating data for Fiscal Year 2021 agreed to be provided under the Continuing Disclosure Agreements. It also includes certain such information pertaining to post-Fiscal Year 2021 events as of its date.

The City has prepared and circulated to interested persons an annual information statement such as this in each year since 1979 and, in accordance with the Continuing Disclosure Agreements, has furnished copies of such statements and, as they have become available, its audited basic financial statements for each Fiscal Year to each nationally recognized municipal securities information repository (NRMSIR) designated from time to time by the SEC and to the Ohio Municipal Advisory Council, Ohio’s state information depository (OMAC or the SID). In accordance with 2008 amendments to the Rule, annual information and operating data and “material” event filings on and after July 1, 2009, have been and are to be made in electronic format with the Municipal Securities Rulemaking Board (the MSRB), as the sole remaining NRMSIR, through its Electronic Municipal Market Access (EMMA) system. The City will furnish copies of this Annual Statement and its subsequent annual information statements, audited basic financial statements and material event notices with the MSRB through the EMMA system. The City will also continue to file those statements and notices with the SID pursuant to Continuing Disclosure Agreements entered into prior to July 1, 2009. As requested by the SID, those SID filings will also be made through the EMMA system, the MSRB and the SID having agreed that the SID will have access to filings on the EMMA system. The City also intends, and has agreed and will agree as and when required, to take further steps that may be necessary to comply or permit compliance with the Continuing Disclosure Agreements and applicable lawful disclosure requirements relating to City financings, including those required to permit municipal securities dealers purchasing bonds and notes of the City to comply with applicable SEC rules and regulations.

All financial and other information in this Annual Statement 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 is shown by that financial and other information, will necessarily continue or be repeated in the future.

This Annual Statement contains statements that the City believes may be “forward-looking statements.” Words such as “plan,” “estimate,” “project,” “budget,” “anticipate,” “expect,” “intend,” “believe” and similar terms are intended to identify forward-looking statements. The achievement of results or other expectations expressed or implied by such forward-looking statements involves known and unknown risks, uncertainties and other factors that are difficult to predict, may be beyond the City’s control and could cause actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. The City undertakes no obligation, and does not plan, to issue any updates or revisions to such forward-looking statements.

The Ohio Municipal Advisory Council (OMAC) has requested that this paragraph be included in this Annual Statement. Certain information contained in the Annual Statement is attributed to 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.

This Annual Statement should be considered in its entirety and no one subject considered less important than another by reason of location in the text. Reference should be made to laws, reports or documents referred to for more complete information regarding their contents.

References to provisions of Ohio law or the Ohio Constitution or the Charter of the City (the Charter) are references to those current provisions. Those provisions may be amended, repealed or supplemented.

As used in this Annual Statement,

- “**Council**” means the Council of the City.
- “**County**” means the County of Lucas, Ohio.
- “**County Auditor**” means the Auditor of the County.
- “**Debt charges**” means principal (including any mandatory redemption payments) of and interest and any redemption premium on the obligations referred to; debt charges may also be referred to as “debt service.”
- “**Fiscal Year**” means the 12-month period ending December 31, and reference to a particular Fiscal Year (such as “Fiscal Year 2021”) means the Fiscal Year ending on December 31 in that year.
- “**Revised Code**” means the Ohio Revised Code.
- “**State**” or “**Ohio**” means the State of Ohio.

COVID-19 PANDEMIC

The spread of the strain of coronavirus commonly known as COVID-19 (COVID-19 or the Pandemic) began altering the behavior of businesses and people early in Fiscal Year 2020 in a manner that had, and to an extent continues to have, negative effects on global, state and local economies and, in turn, on state and local governments and their revenues and expenses.

As the initial effects of the Pandemic became known, the City actively monitored its revenue collections and implemented certain mitigation and expense reduction measures. As a part of its response to the Pandemic, the federal government has provided assistance under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and other legislation to assist states in addressing the adverse impacts of COVID 19.

The amounts of the reductions (and any offsets) in any local tax sources, additional grant assistance received as well as both Pandemic-related expenses and any operational cost savings experienced by the City in Fiscal Years 2020 and 2021, are all taken into account in the information provided in this Annual Information Filing. See, e.g., **Municipal Income Tax, State Local Government Assistance Funds and Appendices A and B**. See also **Financial Matters – General Fund and Financial Outlook, Cares Act Resources and American Rescue Plan Act of 2021 Resources** for a discussion of the historical and projected impact of the Pandemic on the County’s finances.

The Pandemic's full effect on the City's finances and operations, including on the collection of local taxes and on subsequent levels of State and federal assistance, cannot be fully known.

THE CITY

General Information

The City is located in (and is the county seat of) Lucas County in northwestern Ohio, approximately 75 miles east of the Ohio-Indiana border. The City covers an area of 84 square miles and borders generally on Lake Erie and the City of Oregon to the east, the State of Michigan to the north, and Wood County to the south.

The City's 2020 population of 270,871 made it the fourth largest city in Ohio and the 79th largest in the United States. The City is the central city for the Toledo Metropolitan Statistical Area (Toledo MSA), comprised of the Ohio counties of Lucas, Fulton, Ottawa and Wood and the 94th largest of 384 metropolitan statistical areas (MSAs) in the United States. (Rankings based on 2020 Census figures.)

The City and the County are in the center of a trade area comprised of 14 counties in northwestern Ohio and southeastern Michigan with a total population of approximately 1.25 million and lie in the central portion of a triangle formed by the cities of Chicago, Detroit and Cleveland. In addition to those cities, other major metropolitan centers located within 250 miles of the City include the cities of Cincinnati, Columbus, Dayton and Akron, Ohio; Pittsburgh, Pennsylvania; Indianapolis, Indiana; and Windsor, Ontario.

Land use in the City, broken down by percent of assessed valuation, is: Residential (67.25%), Commercial (28.04%), Industrial (4.38%), Public Utility and Railroad (0.30%), and Agricultural (0.03%). Source: County Auditor.

The City is served by diversified transportation facilities, including: five Interstate Highways; 11 State and U.S. Highways; four rail systems; its own Toledo Express Airport, a commercial airport with cargo handling facilities; Detroit Metropolitan Airport (located approximately 45 miles north of the City); and two general aviation airports. The Toledo Area Regional Transit Authority provides mass transit bus service in the City and surrounding areas, and the Toledo-Lucas County Port Authority (the Port Authority) provides cargo handling facilities for ships using the Port of Toledo at the mouth of the Maumee River and operates the City's commercial and general aviation airports under a long-term lease with the City. See **Transportation**.

The City and the County are provided with banking and financial services by three local commercial banks and savings and loan associations and local offices of 16 banks and savings and loan associations having principal offices elsewhere.

Five acute care hospitals are located within the City: ProMedica's Toledo Hospital and Russell J. Ebeid Children's Hospital; Mercy Health Partners' St. Vincent Medical Center and St. Anne's Community Hospital; and The University of Toledo Medical Center. ProMedica's Flower Hospital and Bay Park Hospital are located in the adjacent Cities of Sylvania and Oregon, respectively, and Mercy Health Partners' St. Charles Hospital is located in the City of Oregon, within the County.

One daily newspaper serves the City. The City is within the broadcast area of 16 radio stations, 15 of which are located in the City, and six television stations. Multichannel cable television service, including educational, governmental and public access channels, and internet service are available from multiple providers in the City and surrounding communities.

Many cultural and recreational opportunities are available in the City and the County.

The Toledo Museum of Art, located on a 36-acre campus in the City, is a privately endowed, nonprofit institution noted for the quality of its permanent collection, art education programs and architecturally significant buildings, as well as for its displays of traveling exhibits. It is home to more than

30,000 works of art that include American and European paintings, works demonstrating the history of art in glass, ancient Greek, Roman, and Egyptian works, Asian and African art, medieval art, sculpture, decorative arts, graphic arts, and modern and contemporary art. Among other facilities, the main Museum building has 45 galleries, 15 classroom studios, a 1,750-seat Peristyle concert hall, a 176-seat lecture hall, and a resource center for educators. The Museum's 57,600-square-foot Glass Pavilion, opened in 2006, celebrates the City's role as the Glass City and features five galleries, a glass study room, classrooms, two hotshops, a multipurpose Glass Salon and public and private courtyard space.

The Great Lakes Historical Society's National Museum of the Great Lakes located in the City's Marina District features more than 40 interactive exhibits as well as displays of artifacts and a 617-foot Great Lakes iron ore freight ship and maritime park.

The Valentine Theater, an historic 122-year old theater located in the City's downtown, hosts a variety of musical, dance and theatrical productions by Tapa-Toledo Symphony, the Toledo Jazz Orchestra, the Toledo Opera and the Ballet Theater of Toledo, as well as culturally and ethnically diverse traveling shows and attractions. The Valentine contains a 901-seat auditorium, three rehearsal halls and administrative offices. The Toledo Cultural Arts Center, Inc., a non-profit organization, owns and operates The Valentine and Studio A, an 85-seat black-box theater adjacent to The Valentine.

The Stranahan Theater and Great Hall, built in 1969, is a 2,424-seat concert hall located in the southwestern area of the City near the City of Maumee. It is typically used for 170 or more events annually, including Toledo Ballet, Toledo Repertoire and Toledo Symphony performances and traveling Broadway shows and musical and dance performers and attractions.

Library services throughout the County are provided by the Toledo-Lucas County Public Library (the Library), a separate entity governed by a seven-member Board of Trustees, of whom four are appointed by the County's Board of County Commissioners and three by the judges of the County Court of Common Pleas. The Library provides services through its Main Library located in the Downtown area of the City and 19 branch libraries throughout the County, including 13 within the City. It has the fifth largest circulation of all public libraries in the State.

The Toledo Zoo and Aquarium, located within the City and owned and operated by the Toledo Zoological Society, a nonprofit organization, has received national attention for its exhibitions. The Zoo, funded, in part, by ad valorem property tax levies approved by County voters for operations and capital improvements, employs 200 full-time and 800 part-time staff members and has 57,869 members and a volunteer corps of 863 individuals. See **Public Projects**.

The City owns and operates 125 parks covering 2,024 acres in the City.

The Metropolitan Park District of the Toledo Area (the Metroparks) now operates a system of 18 parks covering more than 12,000 acres of protected natural land and 120 miles of trails in the greater Toledo area, with the much anticipated Glass City Riverwalk coming soon. See **Public Projects**. Overall, those parks enjoyed more than 5.2 million visits in 2020, up from 3.5 million in 2014.

The Toledo Botanical Garden, operated by public/partnership between the Metroparks and the nonprofit Toledo Botanical Garden Board, Inc., in collaboration with the City, has over 60 acres of display gardens and relevant plant collections and welcomed nearly 500,000 visitors in 2020.

The State's Maumee Bay State Park, a 1,336-acre park featuring both Lake Erie and inland lake beaches, a links-style public golf course and a resort and conference center, is located within eight miles of the City. Sailing, boating and fishing are common activities on Lake Erie and the Maumee River, which flows through the City.

The City is the home of the Toledo Mud Hens, a Class AAA professional baseball team whose parent club is the Detroit Tigers. The Mud Hens play in a 10,000-seat County-owned baseball stadium located in the Warehouse District in the Downtown area of the City. In 2016, the team completed its "Hensville" project, a \$21 million renovation and conversion of three buildings adjacent to the stadium into a mixed-use development, consisting of restaurants, office and event space and retail shops. See **Economic**

and Community Development Activities – Industry and Commerce – Recent City Downtown Development Activities.

The Huntington Center, a \$105 million, 8,000-seat multipurpose arena opened by the County in 2009 and located in the Downtown area of the City, serves as the home of the Toledo Walleye, a Class AA professional hockey team, and as a venue for concerts and other activities. The arena was designed and certified as the first new Leadership in Energy and Environmental Design (LEED) sports arena in the United States.

A total of 16 private and public golf courses are located in the County, three of which (the Collins Park, Detwiler Park and Ottawa Park Golf Courses) are owned by the City. One of the other courses, the Inverness Club, originally designed by renowned golf course architect Donald Ross, has hosted four U.S. Opens, two PGA Championships and two U.S. Senior Opens among other USGA and PGA events. Course architect Andrew Green led an ambitious and acclaimed restoration of that course in 2017 and 2018. From August 31 to September 6, 2021, it hosted the Solheim Cup, a biennial trans-Atlantic match-play golf tournament for leading professional women golfers contested by teams selected to represent Europe and the United States, recognized as the most prestigious team event in women's golf. More than 130,000 attended, a new record for the event.

City Government

The City operates under and is governed by its Charter, which was first adopted by the voters in 1914 and has been and may be amended by the voters from time to time. The City is also subject to certain general State laws applicable to all cities. Under the Ohio Constitution, the City may exercise all powers of local self-government, and police powers to the extent not in conflict with applicable, general laws.

Legislative authority in the City is vested in a 12-member Council. Six members of the Council are elected at-large and six from districts within the City, all for overlapping four-year terms. The Council is authorized to enact ordinances and resolutions relating to City services, tax levies, appropriating and borrowing money, licensing and regulating businesses and trades and other municipal activities. The Council also has authority to fix the compensation of City officers and employees. The Council annually elects one of its members to serve as the President of Council, its presiding officer.

The City's chief executive and administrative officer is the Mayor, who is elected by the voters to that office for a four-year term. The Mayor has authority to hire certain assistants and, subject to Council approval, to appoint the directors of all City departments, the commissioners of all City divisions, the members of all City boards and commissions and, with the additional approval of the applicable board or commission, the chief administrative officers of agencies under their jurisdiction. The Mayor is responsible for preparing a detailed annual budget estimate, keeping the Council advised of the financial condition and needs of the City and, generally, exercising all other executive and administrative powers and performing such duties as are conferred by the Charter or by State law on mayors or municipal chief executive officers.

The Mayor has authority to introduce ordinances, resolutions and other matters before the Council, to take part in the discussion of all matters coming before the Council, to vote on legislation before the Council if necessary to break a tie vote and to veto any legislation passed by the Council. Vetoes may be overridden by a three-fourths vote of all members of the Council.

The Director of Finance is appointed by the Mayor, subject to Council approval, and, as the City's chief fiscal officer, is responsible for the debt and cash management functions of the City, overseeing budget preparation and supervising the collection and administration of the City's income tax, the collection of other revenues, the accounting for financial transactions, and other support services. See **Financial Matters – Introduction**.

The Director of Law is appointed by the Mayor, subject to Council approval, and has duties that include prosecuting and defending lawsuits for and on behalf of the City, serving as Police Prosecutor, preparing contracts and written instruments with which the City is concerned, advising all department

directors, City officers and the Council with respect to official City matters as well as performing other duties imposed on city attorneys by statute.

The Council, acting pursuant to the written request of the Mayor, has authority, by a two-thirds vote of its members, to change, abolish, combine and rearrange the departments and divisions of the City government and combine and distribute the functions and duties of such departments and divisions.

The members of Council, 11 of whom are Democrats and one of whom is an Independent, are as follows:

	Name	Years of Service As of June 1, 2022	Occupation in Private Life
At-Large	Dr. Michele Grim (D)	½ year	Public health professional
At-Large	Nick Komives (D)	4½ years	Community organizer
At-Large	Cerssandra McPherson (D)(a)(b)	1¾ years	Paraprofessional
At-Large	Katie Moline (D)(c)	2½ years	Certified Public Accountant
At-Large	George Sarantou (I)(d)	½ year	Financial Advisor
At-Large	Dr. Tiffany M. Preston Whitman (D)(a)(b)	1¾ years	Higher education administrator
District 1	John Hobbs III (D)(a)	1¾ years	Pastor
District 2	Matt Cherry (D)(e)	8½ years	Business agent
District 3	Theresa Gadus (D)	2½ years	Educational interpreter
District 4	Vanice S. Williams (D)(a)	1¾ years	Licensed teacher/child care owner
District 5	Sam Melden (D)	2½ years	Strategic engagement
District 6	Theresa Morris (D)(f)	1 year	Retired Congressional assistant

- (a) Appointed by the County Probate Judge in September 2020 for the duration of a prior councilmember’s suspension. See the discussion below.
- (b) Elected to City Council at the election held on November 2, 2021.
- (c) Ms. Moline was appointed by City Council in January 2020 to fill a vacancy left by the resignation of Sandy Spang. Ms. Moline was then elected to serve the remainder of Ms. Spang’s unexpired term (through December 31, 2021) at an election on November 3, 2020. Ms. Spang left City Council to join the City administration as Commissioner of Business Services. Ms. Moline was subsequently elected to City Council at the election held on November 2, 2021.
- (d) Mr. Sarantou also previously served on Council for 12 years from 2002 through 2013. In addition, Mr. Sarantou served as the City’s Finance Director from 2014 to 2017.
- (e) The Council annually elects one of its members to serve as President of Council. Mr. Cherry has been elected by his colleagues on Council to serve as President of Council for 2022.
- (f) Ms. Morris was appointed by City Council in April 2021 to fill a vacancy in the office of the member of Council from District 6 left by the resignation of Chris Delaney. Ms. Morris was then elected to serve the remainder of Mr. Delaney’s unexpired term (through December 31, 2023) at an election on September 14, 2021.

The current terms of all at-large members of Council will expire on January 1, 2026, and those of all members of Council elected from districts on January 1, 2024.

On June 30, 2020, then-Councilmembers Gary Johnson, Larry Sykes, Tyrone Riley and Yvonne Harper were arrested and charged with federal felony counts of conspiracy, bribery and extortion in response to claims that they took money in exchange for votes on legislation before the City Council on matters relating to certain local businesses. The federal complaint against them alleges that a total of more than \$34,000 changed hands between business owners, the Councilmembers and a local attorney serving as an intermediary for one of them in exchange for votes on the legislation. Immediately after the charges were made public, Mayor Wade Kapszukiewicz and Council President Matt Cherry called on those Councilmembers to resign from their offices and, upon their failure to do so, on July 13, 2020, requested State Attorney General David Yost to commence a process that led to their suspension under State law to help restore confidence in the City government and allow the business of the City to move forward. They remained members of Council but were barred from performing their duties while their criminal cases were pending. In September 2020, the County Probate Judge appointed Cerssandra McPherson, Dr. Tiffany M. Preston Whitman, John Hobbs III and Vanice S. Williams as temporary replacements for them. The charges

against Councilmembers Johnson, Sykes, Riley and Harper remain pending, with a trial scheduled to begin on January 10, 2023, according to reports. The terms of Councilmembers Johnson and Sykes expired on January 1, 2022. Mr. Johnson chose not to seek re-election. Mr. Sykes was a candidate for re-election as a member of Council At-Large at the election held on November 2, 2021, but was defeated.

Current members of the City administration and executive management team with significant responsibility for City financial and related legal matters include the following:

Mayor – Wade Kapszukiewicz

Mr. Kapszukiewicz was elected to a four-year term on November 7, 2017 and took the oath of office on January 2, 2018. He serves as the 58th Mayor of the City. Prior to becoming the Mayor, Mr. Kapszukiewicz served for thirteen years as Lucas County Treasurer. While serving as County Treasurer, he advocated for the State legislation, passed in 2010, to authorize the creation of county land banks and founded the Lucas County Land Bank. He has served as chairman of the Board of Directors of the Land Bank since August 2010. Prior to serving as County Treasurer, he served for nearly seven years as a member of the City Council, having been elected at age 26, and one term on the Lucas County Board of Education. Mr. Kapszukiewicz received a bachelor's degree in journalism and political science from Marquette University in 1994 and was the valedictorian of his class in the University's College of Communication, Journalism, and Performing Arts. He received a master's degree in public policy from the University of Michigan in 1996. After receiving his master's degree, Mr. Kapszukiewicz worked for two years as the Policy Analysis and Research Director of the New Ohio Institute, a public policy research organization that studied issues affecting Ohio's urban areas. In April, 1998 he accepted the position of Manager of Planning and Development at the Lucas County Mental Health Board, where he worked until he began serving on City Council. While on City Council, Mr. Kapszukiewicz taught a course in American Government at Owens Community College and also worked at COMPASS, a social service agency that works with people with drug and alcohol addictions. Mr. Kapszukiewicz has also taught a course on urban policy as an adjunct professor at Lourdes University.

Deputy Mayor – Abby Arnold

Ms. Arnold was appointed by Mayor Kapszukiewicz as Deputy Mayor in January 2018. Ms. Arnold serves on a co-management team with the Chief of Staff, directly overseeing the City's Departments of Public Service, Public Utilities, and Information and Communication Technology. Prior to that appointment, Ms. Arnold served as Commissioner of Utilities Administration in the City's Department of Public Utilities for four years and as the Chief of Staff and Director of Real Estate in the Lucas County Auditor's Office for three years. Ms. Arnold received a Bachelor of Social Work degree from the University of Cincinnati in 2003, and a Master of Public Administration degree from Kent State University in 2016. Ms. Arnold played a key role in the implementation of the nationally-recognized Engage Toledo program.

Deputy Mayor – Karen Poore

Ms. Poore was appointed by Mayor Kapszukiewicz as Deputy Mayor in January 2018. Ms. Poore serves on a co-management team with the Chief of Staff, directly overseeing the Departments of Neighborhoods, Economic Development, and Human Resources and the Planning Commission. Ms. Poore is a 24-year public service veteran with key management and communications expertise, having most recently served for three years as the Chief Deputy Treasurer for the Lucas County Treasurer's Office, managing complex tax accounting, treasury, and delinquent collection systems in support of the \$500 million County budget with a staff of 23 employees. Ms. Poore also previously served in positions with the City Council and the Lucas County Board of Elections.

Interim Director of Finance – Melanie Campbell

Ms. Campbell was appointed by Mayor Kapszukiewicz as the City's Interim Director of Finance in June 2020. Prior to that appointment, Ms. Campbell served the City as its Commissioner of Budget from 2011 through 2020. Prior to serving in that position, she participated in the implementation of the City's new ERP financial system in 2009 and 2010 and served as an analyst in the Department of

Public Utilities in 2008. Ms. Campbell earned her Bachelor of Arts (Economics) degree from Providence College. She previously served as Interim Director of Finance from January 2018 to November 2018.

Director of Law – Dale R. Emch, Esq.

Mr. Emch was appointed as the City’s Director of Law by Mayor Kapszukiewicz in January 2018. Prior to his appointment, Mr. Emch practiced law for 12 years in civil litigation, first in a firm and then in his own practice. He was a print journalist for 18 years before beginning his legal career. Mr. Emch earned a Bachelor’s degree in journalism from The Ohio State University and a Juris Doctorate degree from the University of Toledo’s College of Law from which he graduated cum laude.

Director of Public Utilities – Edward A. Moore

Mr. Moore, a 21-year City employee and lifelong Toledoan, was appointed to the position of Director of Public Utilities in April 2014 by former Mayor Collins. He had previously served the City in various capacities, including as Commissioner of Sewer and Drainage Services, as Commissioner of Streets, Bridges and Harbor, as Director of Public Service and as Commissioner of Engineering Services in its Department of Public Utilities. He holds degrees in Managerial Accounting from Davis College and in Construction Engineering Technology from The University of Toledo and an Executive Master’s degree in Business Administration. Prior to joining the City, Mr. Moore served in the U.S. Navy as a Quartermaster.

Director of Diversity, Equity, and Inclusion – Lacy DeBerry III

Mr. Berry was appointed to the position of Director of Diversity and Inclusion in April 2022 by Mayor Kapszukiewicz. Prior to his appointment, Mr. DeBerry worked as the Human Resources Consultant with the City of Greensboro, North Carolina. In that role, he was responsible for handling employee complaints, investigating discrimination charges and providing technical assistance to executive leadership concerning policy implementation. Mr. DeBerry is a graduate of the University of North Carolina at Chapel Hill School of Government and holds a Bachelor’s of Science in Urban Affairs from Winston-Salem University.

Commissioner of Economic Development – Brandon Sehlhorst

Mr. Sehlhorst was appointed as Commissioner of Economic Development for the City in July 2019 by Mayor Kapszukiewicz. Mr. Sehlhorst previously served the City from January 2017 through November 2018 as its Manager of Real Estate for the City. Prior to returning to the City, Mr. Sehlhorst served as Senior Manager, Site Selection for the Regional Growth Partnership of Northwest Ohio. In that role he led site selection and site redevelopment initiatives for 17 counties in Northwest Ohio. Mr. Sehlhorst holds a Master of Business Administration and Bachelor of Urban Planning and from the University of Cincinnati.

Commissioner of Taxation – John Zawisza

Mr. Zawisza was appointed as Commissioner of Taxation in January 2017. Prior to his appointment, he had served the City for 22 years in various positions in its Departments of Finance and Law. Mr. Zawisza earned his Bachelor’s degree in Business Administration at The University of Toledo.

Commissioner of Purchasing and Debt – Bryan Benner

Mr. Benner was appointed as Commissioner of Purchasing and Debt in 2020. Prior to his appointment as Commissioner of Purchasing and Debt, he had served the City for 10 years as a Commissioner in various roles in City finance divisions. Prior to joining the City, Mr. Benner had worked for 12 years in healthcare finance and for 19 years in higher education finance and administration. Mr. Benner earned both a Bachelor of Arts degree and a Master of Public Administration degree from The University of Toledo.

City Auditor – John Jaksetic, CPA

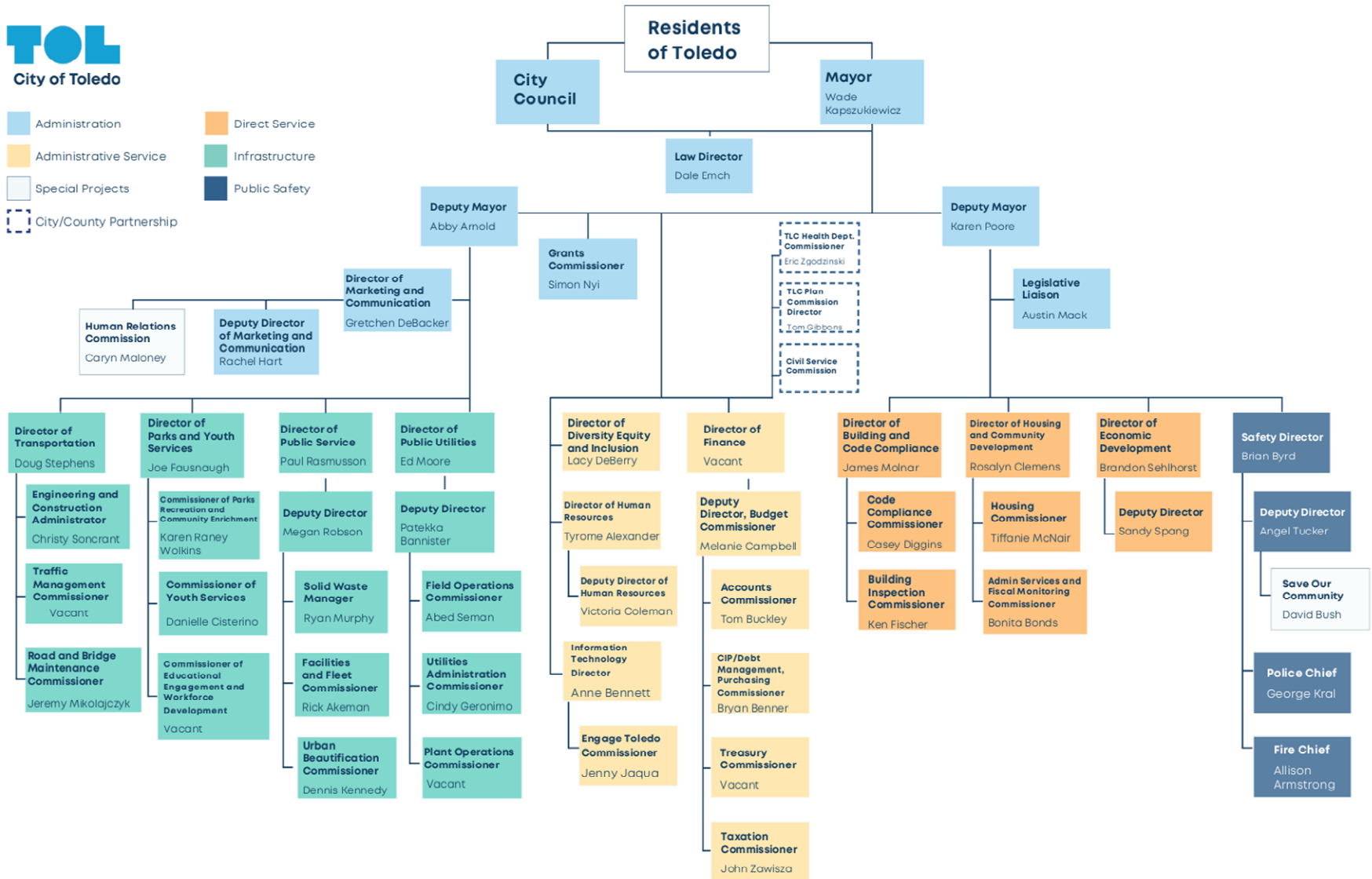
Mr. Jaksetic was appointed as City Auditor by the Council in October 2014. Mr. Jaksetic holds a Bachelor of Business Administration degree with a major in Accounting from The University of Toledo and is a licensed Certified Public Accountant. Mr. Jaksetic brought to the Auditor's position over 20 years of experience in private industry. As City Auditor, he assists various City departments in establishing and maintaining internal control procedures and advises Council members on various topics.

A copy of the City's organizational chart is set forth on the following page.

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- Administration
- Administrative Service
- Special Projects
- Direct Service
- Infrastructure
- Public Safety
- City/County Partnership



Employees

The City had 2,721 full-time and part-time employees as of September 1, 2022. That number of employees has decreased by approximately eight since 2019. The City also utilizes seasonal workers and temporary workers for specific projects from time to time on a contract basis. The State’s public employee collective bargaining law applies generally to public employee relations and collective bargaining of the City and other political subdivisions statewide.

The vast majority of City employees hold position classifications that are in collective bargaining units. The full-time employees in those classifications are represented by the following bargaining units:

Bargaining Unit	Approximate Number of Employees	Labor Agreement Expiration
Ohio Council 8 of the American Federation of State, County and Municipal Employees (AFSCME), Local 7	763	12/31/2024
Toledo Police Patrolman’s Association	493	03/31/2024
International Association of Fire Fighters, Local 92	550	03/31/2024
International Brotherhood of Teamsters, Local 20	81	12/31/2024
Ohio Council 8 of AFSCME, Local 2058, Supervisors	225	05/31/2024
Toledo Police Command Officers’ Association	136	03/31/2024
United Auto Workers, Local 12 (Clerk of Courts – Supervision)	7	12/31/2022(a)
Ohio Council 8 of AFSCME, Local 3411 (Clerk of Court – Deputy Clerks)	59	12/31/2024
Toledo Fire Chiefs’ Association	24	03/31/2024

(a) Negotiations for a new agreement are currently expected to commence in November 2022.

The remaining City employees hold positions in the civil service classified exempt classification, have not formed a bargaining unit, or are not authorized to form or join a bargaining unit because they hold elective office or are confidential or management-level employees (exempt personnel).

Generally, wages and other economic benefits for City employees have been derived through negotiations with the bargaining units.

In 2022, the City and the City’s largest bargaining unit, AFSCME Local 7, currently representing 763 employees, entered into a new collective bargaining agreement covering the period from January 1, 2022, through December 31, 2024. Under the terms of that agreement, employees in AFSCME Local 7 received or will receive a 4% wage increase effective January 2022, a 4% pay increase effective January 2023 and a 4% pay increase effective January 2024. AFSCME Local 7 employees were the first group to receive a \$3,500 COVID premium pay amount; they received \$2,200 in 2021 and \$1,300 in 2022.

In 2022, the City and AFSCME Local 2058, currently representing 225 City supervisory employees, entered into a new collective bargaining agreement covering the period from June 1, 2021, through May 31, 2024. Under the terms of that agreement, employees in Local 2058 received or will receive a 4% pay increase effective January 2022, a 4% pay increase effective January 2023 and a 4% pay increase effective January 2024. All employees in this unit received a COVID premium pay amount of \$3,500.

In 2022, the City and Teamsters Local 20, currently representing 81 employees, entered into a new collective bargaining agreement covering the period from January 1, 2022, through December 31, 2024. Under the terms of that agreement, employees in Local 20 received or will receive a 4% pay increase effective January 2022, a 4% pay increase effective January 2023 and a 4% pay increase effective January 2024. All employees in this unit received a COVID premium pay amount of \$3,500.

In 2021, the City entered into new collective bargaining agreements with the Toledo Police Patrolman's Association (TPPA), currently representing 493 City employees, and the International Association of Fire Fighters, Local 92 (Local 92), currently representing 550 City employees. Both of these agreements cover the period from January 1, 2021, through March 31, 2024. Under the terms of those agreements, employees in the TPPA and Local 92 received or will receive 4% pay increases effective January 2021, 4% pay increases effective January 2022 and 4% pay increases effective January 2023. All employees in these units received a COVID premium pay amount of \$3,500.

Also in 2021, the City entered into new collective bargaining agreements with the Toledo Police Command Officers' Association (TPCOA), currently representing 136 City employees, and the Toledo Fire Chiefs' Association (TFCA), currently representing 24 City employees. These agreements cover the period from January 1, 2021, through March 31, 2024. Under the terms of those agreements, employees in the TPPA and Local 92 received or will receive 4% pay increases effective January 2021, 4% pay increases effective January 2022, and 4% pay increases effective January 2023. All employees in these units received a COVID premium pay amount of \$3,500.

Effective October 2021, employees of the City's two bargaining units of emergency communications workers, AFSCME Local 7 Communication Operators and AFSCME Local 2058 Communications Supervisors' unit, representing approximately 70 employees, were laid off and most were re-employed as part of a new countywide 9-1-1 operations center. These employees are now working for the Regional Council of Governments and are no longer City employees.

In January 2022, the Municipal Court Clerk and AFSCME Local 3411, currently representing 59 Deputy Clerks, entered into a new three-year collective bargaining agreement through December 31, 2024. Under the terms of that agreement, employees received a pay increase beginning in January 2021.

In the judgment of the City, its labor and employee relations are generally good and productive. The City has not gone to fact-finding with any bargaining unit since 2015.

The City took a number of steps with respect to staffing as a direct response to the budgetary shortfall initially projected in 2020 to result from the COVID-19 pandemic. As of the date of this Annual Statement, the City's staffing and employment levels approximate pre-COVID-19 pandemic levels.

ECONOMIC AND COMMUNITY DEVELOPMENT ACTIVITIES

Industry and Commerce

The City is active in promoting industrial and commercial development in the City and the Toledo MSA, working in concert with, among others, the County, the Port Authority, the Toledo Regional Growth Partnership, The University of Toledo and the State and JobsOhio, a private non-profit corporation created by the State, to provide financing information, marketing programs and, in some cases, infrastructure improvements, grants and other incentives and resources designed to encourage economic development and the creation and retention of jobs.

In March 2021, the City was honored by *Site Selection Magazine* for those efforts, ranking 1st of the nation's midsized cities (those with populations between 200,000 and 1 million) for the number of its corporate end user facility investment projects with at least \$1 million of investment or 20,000 square feet of space or employing at least 20 people, sharing that honor with Savannah, Georgia. The City had 30 such projects within its metropolitan statistical area in 2020. This was the fifth consecutive year in which the City had been recognized by *Site Selection Magazine* as among the top ten mid-size cities in the nation for its economic development plans and accomplishments.

Among the notable results from the City's economic development efforts in recent years have been the following.

Healthcare

The ProMedica Health System (ProMedica), the largest employer in the Toledo MSA, has been an active participant in development activities in the City. In 2017, ProMedica completed construction on a new headquarters campus in the Downtown area of the City and moved approximately 840 administrative staff members, including more than 500 who were previously working in facilities in various locations outside the City, into facilities on that campus. The new campus includes offices in a renovated historic building (the former Toledo Edison Steam Plant) and a renovated office building with amenities such as a bagel and coffee shop and an entertainment space on the Maumee River, green space and a newly constructed six-story, 764-space parking garage. The City and ProMedica entered into a development agreement pursuant to which ProMedica agreed to invest at least \$50 million in the campus, and the City agreed to provide certain land for a parking garage and infrastructure improvements in support of the project, to maintain and improve green space on the campus and to provide a seven-year property tax abatement and other financial incentives. The State awarded \$5 million in Ohio Historic Preservation Tax Credits for the project. ProMedica committed to having 2,500 total jobs, at an average salary of not less than \$48,000, in the Downtown area of the City. The project has also prompted additional development in the Downtown area of the City. See **Recent City Downtown Development Activities**.

In July 2019, ProMedica completed and opened its Generations Tower, a \$400 million facility with 309 private patient rooms (some of which replaced double rooms in other parts of its Toledo and Children's hospitals) on nine floors and an additional four floors that that may be developed as demand requires, on a campus that also includes its similarly-sized Renaissance Tower that opened in 2008. The City provided certain infrastructure improvements, including an interchange on I-475 in the area of the ProMedica campus, to support this project and additional development. See **Toledo Hospital Main Campus Area Development**.

In October 2017, Mercy Health completed construction of a \$34 million project to expand facilities on the Mercy St. Vincent Medical Center and Mercy Children's Hospital campus in the Downtown area of the City. The new 29,000-square-foot, two-story building houses St. Vincent's and Mercy Children's emergency services, including a level 1 trauma center and an expanded surgical area with more space for pre-operative and post-operative care.

Automotive

Stellantis (formerly known as Fiat Chrysler Automobiles, see discussion below), the largest manufacturing employer in the City, continued to invest in its Toledo Assembly Complex in the City in recent years, including approximately \$1.0 billion of investments since 2016.

In January 2017, the company confirmed that it would retool and modernize its Toledo Supplier Park (the South Plant) in the Complex to prepare for the production of a new Jeep pick-up truck. Production of a prior generation of Fiat Chrysler's Jeep Wrangler ceased at the South Plant as the retooling and modernization project, later announced to have been a \$273 million investment in that Plant, began in April 2018. The new Jeep pick-up was introduced as the Jeep Gladiator in November 2018, and production of the Gladiator at the South Plant began in April 2019. In December 2019, Fiat Chrysler pledged to invest an additional \$120 million in the South Plant for further retooling for the production of the Gladiator.

Late in 2017, Fiat Chrysler completed a \$700 million renovation project at its Toledo North Plant (the North Plant) in the Complex to prepare it for the production of the next generation Jeep Wrangler. The City invested approximately \$850,000 to improve roadways near the Toledo Assembly Complex in support of that project. Production of the next generation Wrangler JL began at the North Plant in December 2017. In December 2019, Fiat Chrysler pledged to invest an additional \$160 million in the North Plant for new equipment and training for production of a new electric plug-in hybrid version of the Wrangler JL that is expected to result in the creation of 100 new jobs; production of the Jeep Wrangler 4xe began in December 2020.

Fiat Chrysler has stated that, with the renovation of the North Plant and the retooling of the South Plant, the company would have the capacity to produce more than 400,000 Wranglers and Gladiators annually at the Toledo Assembly Complex. See **Industry and Major Employers**.

In January 2021, Fiat Chrysler completed a merger with PSA, the manufacturer of Peugeot automobiles. The resulting corporation, the world's fourth largest auto group, is now known as Stellantis. In April 2021, Stellantis acquired from the City 40 acres of vacant land adjacent to the Toledo Assembly Complex upon which it announced plans to construct a 250,000 square foot vehicle customization facility. Stellantis plans to invest \$23 million in that facility, to be operated by Mopar, a Stellantis subsidiary.

In February 2021, General Motors announced that it intended to invest an additional \$75 million in 2021 in its GM Powertrain Division's Alexis Road transmission plant in the City to increase the plant's capacity to build 10-speed automatic transmissions for its full-size truck products, including the Chevrolet Silverado and GMC Sierra. That investment will follow several other investments in that plant completed in the prior years – a \$667.6 million investment in a 650,000-square-foot addition to prepare the plant for production of nine-speed front-wheel-drive and 10-speed rear-wheel-drive transmissions, a \$55.7 million investment to support production of fuel-efficient eight-speed transmissions and six-speed rear-wheel-drive transmissions, and a \$30.6 million investment for equipment and tooling to expand capacity for the production of the six-speed rear-wheel drive transmissions – to accommodate General Motors' product growth and meet increasing demand for those transmissions.

General Motors currently produces six-speed, eight-speed and 10-speed rear-wheel-drive transmissions and nine-speed front-wheel-drive transmissions at the plant that are used in a variety of GM's Chevrolet, Buick, GMC and Cadillac vehicles, including at least 28 cars, trucks, sport utility vehicles and sports cars. The State and the City have provided grants and tax incentives to General Motors in connection with certain of those projects.

In September 2022, General Motors announced it would invest \$760 million in its Alexis Road transmission plant to enable production of electric vehicle (EV) propulsion systems. The name of the plant has been changed to "Toledo Propulsion Systems", with renovations expected to begin in 4Q 2022. Toledo Propulsion Systems will be the first GM plant in the United States to be refitted for EV propulsion production. The electric propulsion systems to be produced at Toledo Propulsion Systems are planned, initially, for GM's future Chevrolet Silverado EV and GMC Sierra EV and current GMC Hummer EV. Toledo Propulsion Systems is also expected to continue to produce transmissions for gasoline-powered vehicles for several more years. The first EV propulsion systems to be produced are scheduled for 2024, at earliest. GM had previously announced an intention to transition to a lineup of zero-emission vehicles by 2035.

In 2017, Dana Incorporated, a Fortune 500 automotive and industrial components manufacturer, completed construction of a \$75 million high-tech axle manufacturing facility in the Port Authority's Overland Industrial Park in the City, converting and tripling the size of an existing 100,000-square-foot warehouse facility on the site to 300,000 square feet. See **Economic and Community Development Activities – Industry and Commerce – Port Authority Economic Development Efforts**. Dana created that facility to support a number of new light-vehicle programs, including the new Jeep Wrangler JL and Gladiator models, that are being manufactured less than three miles away at Stellantis' Toledo Assembly Complex, and three other vehicle programs for automakers in the region. Dana began assembling axles at the renovated facility in late 2017, and now employs approximately 300 workers at the facility which is capable of producing at least one million axles annually. Dana received financial

incentives for this project from the State, the County, the City, the Port Authority and FirstEnergy Corp., parent of the principal electric utility serving the City.

In 2017, Ohio developer NAI Harmon Group completed construction of an \$8 million, 102,000-square-foot plant on a site in the Overland Industrial Park. That plant, opened in November 2017, has been leased to Detroit Manufacturing Systems LLC, a joint venture of a subsidiary of Faurecia SA, one of the world's largest automotive parts suppliers, and Rush Group, that assembles interior components of automobiles and pick-up trucks, including Stellantis' Jeep Wrangler JL and Gladiator models. According to NAI Harmon Group, Detroit Manufacturing Systems invested approximately \$70 million for equipment and to outfit the plant. Detroit Manufacturing Systems hired 200 workers for the plant in 2017 and has since hired an additional 193 for its operations there.

Recent City Downtown Development Activities

In addition to the ProMedica projects described above, recent activities in the City's downtown have included the following.

Downtown Hotel

In August 2017, Marriott Corp. opened the Renaissance Toledo Downtown Hotel on the west bank of the Maumee River in the City's downtown following a \$31 million renovation of a hotel facility constructed in 1985 and previously operated under a number of other hotel brands. The renovated 13-story hotel has 240 rooms, restaurants on its first floor and a 12th-floor rooftop and provides employment for a staff of approximately 215 when in full operation.

SeaGate Hotel, Park Inn Hotel and Glass City Center

In July 2020, the County announced a public-private partnership among the LDEDC, Continental Real Estate Co. (Continental) and FHG, pursuant to which the existing SeaGate Hotel would be demolished and there would be acquired and renovated a nearby hotel known as the "Park Inn By Radisson Hotel" located on land situated at the intersection of Summit and Monroe Streets in the City, adjacent to the SeaGate Convention Centre (now known as the Glass City Center), with improvements to include (i) conversion of the existing hotel into a dual branded Hilton Garden Inn with approximately 216 rooms and Hilton Homewood Suites with 93 rooms, (ii) an approximately 120-seat restaurant, (iii) acquisition of parking rights sufficient to provide parking by guests, invitees and customers of the converted hotel, (iv) clearing, improving and equipping its site and related sites and (v) all sidewalks, access ways and utility connections necessary for the improvements described in (i) through (v) above. The hotel opened in May 2022.

In April 2019, the County announced the expansion of the SeaGate Convention Centre (now known as the Glass City Center) with a 16,000 square foot ballroom on County-owned land adjacent to the former SeaGate Hotel. The ballroom would increase capacity and meeting space in the current facility. In July 2020, the County reaffirmed that plan, including anticipated substantial improvements to the center, construction of the new dedicated ballroom, relocation of the related parking facility from Summit Street to Monroe Street, creating a pocket park and clearing, improving and equipping the site and related sites. Construction is nearly complete, with project completion anticipated in 4Q 2022.

Hensville

In March 2016, The Toledo Mud Hens Baseball Club, Inc. completed its \$21 million public/private partnership project to renovate three 19th-century buildings and create a "Hensville" mixed-use development, consisting of restaurants, office and event space, and retail shops, adjacent to Fifth Third Field in the Warehouse District in the City's downtown. Funding for the project was provided through transactions utilizing the New Markets Tax Credit (\$6 million) and Ohio Historic Preservation Tax Credit (\$4 million) programs and initially supported by the Mud Hens and the County.

Lathrop, a subsidiary of Turner Construction Company, has moved its headquarters and 40 employees from the City of Maumee to Hensville, occupying 6,000 square feet of office space in the development's Fleetwood Building. The regional office of PriceWaterhouseCoopers has also been located in Hensville since 2015. Approximately 6,000 square feet of office space remain for lease in Hensville.

Other

In July 2022, the Lucas County Land Reutilization Corp. (the Land Bank) released a request for proposals for development of the Spitzer and Nicholas buildings, two of the oldest and largest structures in the City's downtown. The Land Bank had acquired the buildings in 2020. The buildings have been vacant for many years, and are part of the "Four Corners" area, so named as it is the only intersection in the City's downtown where all four original buildings remain. The City views the potential development of these buildings as one of three catalytic projects for the continued revitalization of the City's downtown, the other two being the Glass City Riverwalk (see **Major Public Projects**) and the Jefferson Center (see below). The Spitzer Building project has received a \$1 million grant for asbestos abatement and lead-based paint removal from the Ohio Brownfield Remediation Program.

In January 2021, Libbey Glass LLC, a glassware and tableware manufacturer, announced that it planned to invest nearly \$30 million over a four-year period to maintain and update operations in the City and create an additional stemware production line at its manufacturing facility in the northern area of the City and to remain headquartered in the City's downtown. Those investments are to be made with assistance from JobsOhio, the City and the Regional Growth Partnership. See **Industry and Major Employers**.

In February 2021, Bitwise, a Fresno, Calif.-based software developer, high-tech academy and workspace host company, announced its plan to purchase, renovate and locate in the Jefferson Center, the City's historic former post office that was built in 1911 and was listed on the National Register of Historic Places in 1972 as the Old Central Post Office. Bitwise expects to create 378 jobs and, in partnership with ProMedica Health Systems, to invest \$35 million in the project.

Also in early 2021, Prater Development, announced plans for redevelopment of Fort Industry Square, a collection of historic buildings located in the City's downtown that had been vacant. The \$60.5 million redevelopment project, which will result in the creation of 65,000 square feet of commercial office and retail space and 93 apartments, is expected to create 827 temporary construction jobs and 432 permanent full-time equivalent jobs within three years after its completion. The project is currently under construction and is expected to be completed in 2022. Prater Development has previously redeveloped several other historic buildings in the Downtown, including the Standard Lofts and Berdan Building. See **Housing**.

In 2017, Ark Restoration and Construction announced a plan to invest \$7.5 million to convert the former Continental Baking Co. building, an 82,000 square foot building in the City's downtown that had been vacant, into commercial space and 33 market-rate loft apartments. Work on that project began in 2020 and is expected to be completed in 2022.

Other Recent Commercial Development Activities

Former North Towne Square Mall Site

In July 2022, NorthPoint Development announced a planned investment of \$85 million to construct three speculative industrial buildings totaling 852,000 square feet at the former North Towne Square Mall property in the northern portion of the City. The City had purchased the property in 2011 and, using State and federal funding, demolished and prepared the site for redevelopment prior to selling the property to NorthPoint Development. This project will put back to productive use the City's largest available industrial site which been vacant for over 17 years. It is expected that the businesses leasing the buildings will create over 300 new jobs once construction is complete. The first of the three buildings is expected to be ready for occupancy in Summer 2023.

Iron Processing Plant

IronUnits, LLC, a wholly owned subsidiary of Cliffs Natural Resources Inc., completed construction of an iron-processing plant on a former refinery site along the border between the City and the City of Oregon and began its operation in June 2021, culminating what Cliffs announced to have been a \$1 billion investment to build and operate the world's most modern and environmentally friendly direct reduction plant. That plant refined iron ore into hot-briquetted iron, a raw material used by electric-arc mills in the production of steel in a process utilizing natural gas. The iron ore, mined in Minnesota and Michigan, is being shipped to Port Authority facilities on the Maumee River in the Port of Toledo and then moved from ships to the plant on a conveyor. Cliffs stressed the site's close proximity to a heavy concentration of electric arc furnace steel producers and logistical advantages including an existing dock, rail access, heavy haul roads for construction and operation logistics, and availability of critical utilities such as natural gas, electrical power, and water as important factors in locating there. The hot-briquetted iron produced at the plant is transported to mills in the Great Lakes region by rail and trucks on heavy load roads. The plant employs approximately 160 full-time workers. According to the Port Authority, salaries for the permanent jobs at the facility will range from \$40,000 to \$140,000, with an average total compensation in salary and benefits for hourly workers of \$90,000. The City's water system provides approximately 1.0 million gallons of water per day to the facility and is expected to receive approximately \$0.7 million of revenue annually for that water. See **Transportation – Seaport and Water System**. The project received approximately \$30 million in grants and other incentives from JobsOhio, and the City has agreed to provide Toledo Expansion Incentive with an estimated value of more than \$1 million.

Clean Energy Future LLC completed construction of a 955-megawatt natural gas-fired electric power plant in the adjacent City of Oregon (Oregon) at a cost of approximately \$880 million and began operations in 2020. Approximately 25 workers are employed at that plant. Previously, Clean Energy, through affiliates, undertook construction of the Oregon Clean Energy Center, a 960-megawatt natural gas-fired plant that was completed and began operations in mid-2017. The new facility is located in Oregon adjacent to the Oregon Clean Energy Center.

Continental

In 2020, Continental Real Estate Companies (Continental) completed construction of a mixed use development project in the City's Marina District, which is located on the east bank of the Maumee River directly across from the City's downtown. That development, on a site acquired by Continental from ProMedica, includes a 360-unit residential complex, a 6,000 square foot restaurant, a pool, a community center and a public park that is to be blended in with the Glass City Riverwalk Metropark being developed by the Metroparks in collaboration with the City. That project is fully leased. The Port Authority authorized the issuance of \$44.5 million of taxable bonds to finance Continental's 289,000 square foot complex. Continental has also announced plans for an estimated \$15 million of additional development along the adjacent Front Street, including a bank branch, retail space, incubator office space and 15,000 square feet of additional commercial space.

See **Public Projects** for a description of the Glass City Metropark, the second phase of which is now under development in the Marina District around the sites of the Marina Lofts and The National Museum of the Great Lakes.

Toledo Hospital Main Campus Area Development

Working with ProMedica, Continental is also proceeding with a planned \$50 million mixed use development on a previously vacant 10-acre site near the campus of ProMedica's Toledo Hospital in the City's Colony neighborhood. The project is expected to include 262 upscale apartments, retail space and a four-story, 120-room Home2 Suites hotel by Hilton. Construction is expected to be completed in 2023.

Service Spring Corp.

In October 2020, Service Spring Corp., a manufacturer and distributor of springs and other equipment for overhead doors for garages and other facilities, announced its plan to invest \$12 million to

expand its existing facility onto a 6.51-acre-site to be acquired from the City. Construction of the project was completed in 2022. That project is expected to result in the creation of 20 new jobs and retention of many others. The site is located in Monclova Township within the Monclova Township-City of Maumee-City of Toledo Joint Economic Development Zone (“JEDZ”), and the City will benefit financially from the income taxes generated on the new employee payroll at the facility.

Brenntag North America

Brenntag North America, Inc., a distributor of chemicals and ingredients in the global market, recently completed the renovation of a 225,000 square foot industrial building and the remediation and demolition of an adjacent industrial building that had been severely damaged by a chemical fire in the Junction neighborhood of the City. That \$15 million project was undertaken in partnership with Phoenix Investors and is expected to result in the creation of 45 new jobs and a return of 22 acres of previously vacant land to productive use.

First Solar Manufacturing Facilities

In October 2019, First Solar, Inc., the largest manufacturer of photovoltaic modules, completed construction and began operation a new \$400 million, one million square-foot manufacturing facility for production of its advanced technology Series 6 thin-film photovoltaic modules. First Solar has a workforce of approximately 500 associates, with an estimated annual payroll of \$30 million, at the new facility which is located in Lake Township. The new facility is a few miles from First Solar’s flagship factory in the City of Perrysburg in adjacent Wood County. In 2017, First Solar invested an additional \$175 million to retool that factory, which is the largest solar manufacturing facility in the United States.

In August 2021, First Solar, Inc. commenced construction of a second photovoltaic solar manufacturing plant in Lake Township. That new 1.8 million square foot facility represents a \$680 million investment and is expected to commence operations in the first half of 2023 and to attain full production capacity 2025. When completed and in full operation, it is projected to provide direct employment for at least 500 new workers.

In August 2022, First Solar, Inc. announced a plan to spend an additional \$185 million to increase production capacity at its facilities in the City of Perrysburg and Lake Township.

Amazon

In November 2020, Amazon.com, Inc. completed construction of a fulfillment center in the City of Rossford, Ohio, adjacent to the City and began its operations there. The center includes a 640,000 square-foot warehouse facility with parking spaces for approximately 1,800 autos and light trucks and 300 semis. Amazon’s operations at the center include picking, packing and shipping small items such as books, electronics and toys. Amazon employs more than 1,200 workers at the center, which is located within a Joint Economic Development District in which the City and the City of Rossford share the municipal income tax revenues generated on payrolls.

In May 2021, Amazon.com, Inc. completed construction of a \$25 million, 150,000 square foot Delivery Station in the City and commenced its operation. That warehouse facility is located on a 58-acre site Amazon obtained from the City. Formerly the site of a shopping center, the City had acquired that property in 2014 and prepared it for redevelopment. Amazon expects to directly employ approximately 100 workers at that facility and, through six small businesses launched through its Delivery Service Partner program, to create several hundred additional employment opportunities for delivery drivers.

Toledo Zoo and Aquarium

In 2015 the Toledo Zoological Society also announced a new 10-year \$89.6 million dollar capital master plan. That plan is being supported by the 1.0 mill capital improvement levy that was renewed in 2016 for a period of ten years. As a part of that plan, the ProMedica Museum of Natural History, a 74,500 square foot facility in a building renovated and expanded to include new greenhouse additions at

the Zoo was completed at a cost of \$27 million and opened to the public in May 2019. That Museum features interactive exhibits such as touch tanks with water-dwelling animals and “Nature in Hand,” a hands-on collection of bones, animal pelts, and taxidermy.

In furtherance of its master plan, the Toledo Zoological Society announced, in April 2021, that it would acquire and redevelop a 20.33-acre former industrial site, commonly referred to as the Jennison Wright property. That \$12.5 million project will involve the creation of 1,598 surface parking spaces and will then serve as the Zoo’s main parking lot. The project has been approved by the Ohio Environmental Protection Agency as a proper and cost-effective way to redevelop the brownfield site. The site of the Zoo’s current surface parking lot is expected to be converted to new exhibit space in the coming years.

Port Authority Economic Development Efforts

The Port Authority’s economic development efforts, which are directed to enhancing cooperation between the public sector and the private business community on a regional basis, include serving as regional administrator of certain loan programs. Those programs include its Better Buildings Northwest Ohio program to promote energy efficiency and alternative energy implementation, the Microenterprise Development Initiative being undertaken in partnership with the nonprofit Economic & Community Development Institute (ECDI), that provides area entrepreneurs with small business loans. Through the Port Authority’s four principal economic development financing programs, approximately 631 projects have been financed for more than \$2 billion since 1988. These projects have helped create or retain approximately 19,000 jobs.

The City, in cooperation with the Port Authority, secured grant funding for the Port Authority to purchase, remediate and improve a 111-acre brownfield site that was the location of a former Jeep manufacturing plant. This project, branded as the “Overland Industrial Park”, has made available 80 acres suitable for future industrial development. The site is located near Stellantis’ Toledo Assembly Complex, with ready access to interstate highways and other important transportation facilities. The Port Authority has invested approximately \$14 million for site remediation and initial transportation and utilities infrastructure improvements, including the installation of lighting and the completion of a road that serves as the main entrance to the site. See the discussion under **Economic and Community Development Activities**.

The Port Authority and City also cooperated in the development of the iron processing plant recently-completed by IronUnits, LLC (see the discussion under **Economic and Community Development Activities – Other Recent Commercial Development Activities**), and an industrial park on the south side of Toledo Express Airport being branded as “Express Industrial Park”. Improvements to Express Industrial Park have been funded in part through a joint economic development district involving the City and neighboring townships.

Major Public Projects

City Municipal Court

The City is undertaking an \$18 million improvement to its Municipal Court building, the largest City-owned building. The project will include replacing the building’s HVAC systems, two escalators, five elevators, the roof and redesign of the front entrance. See **City Debt and Other Long-Term Obligations – Future Financings**.

Metroparks

The Metropolitan Park District of the Toledo Area (the Metroparks) has been and continues to be engaged in a major capital improvement program to expand the system of parks, trails and open space for the community. That program includes investing \$200 million in a combination of Maumee River-based improvements that include the Glass City Riverwalk, improvements to International Park and Phase 2 of its newly opened Glass City Metropark over the next 10 years.

In November 2020, voters in the Metropolitan Park District of the Toledo Area, an area coterminous with the County, approved a 2.0-mill ad valorem property tax for the purpose of developing, improving, maintaining and operating the Park District, greenway trails, the Wildwood Preserve, Pearson, Oak Openings Preserve, Side Cut, Swan Creek Preserve and Toledo Botanical Garden Metroparks and other properties of the Park District; acquiring, developing, improving, maintaining and operating additional lands for park and trail purposes, and conserving and improving natural resources, wildlife habitat, streams and natural areas for a period of 10 years (the Tax Levy). The Metroparks will use proceeds of the Tax Levy and of \$27 million of tax anticipation bonds issued in anticipation of those proceeds in June 2022, State and federal grants and gifts from the Toledo corporate community and individuals to fund its capital program.

In 2020, the Metroparks, in partnership with the City, announced the Glass City Riverwalk project. That project involves the construction of a five-mile multipurpose trail that will span both sides of the Maumee River from the Veterans Glass City Skyway to the High Level Bridge. Funding for this project will include proceeds of a \$23.6 million BUILD Grant that has been obtained from the U.S. Department of Transportation in a competitive process. Construction of portions of the Riverwalk commenced 2021 and is expected to continue through 2030.

In 2019, the Metroparks, in partnership with the City, announced plans to create a \$40 million metropark, to be known as the Glass City Metropark, on a 70-acre riverfront property in the Marina District. Phase One of that metropark, completed in October 2020, included a realignment of the City's Riverside Drive, construction a 3,500-square-foot pavilion, rooftop plaza space, an event lawn for special events that will accommodate 5,000 people, a sledding hill, boardwalk and walking paths, water access for fishing, canoeing and kayaking, shoreline restoration, reforestation with more than 2,000 trees and prairie plants, storm water wetlands and bioswales and a vehicle parking area. Construction of Phase Two commenced in July 2021 and is expected to be completed in 2023. Phase Two will feature an ice-skating ribbon, mini-Maumee water play area, a restaurant, cabanas, a campground, and a community center.

In September 2020, the Metroparks, in partnership with the City, completed development of the 70-acre Manhattan Marsh Preserve Metropark, its third park located within the City. The Manhattan Marsh Preserve Metropark is characterized by wetlands and features a 1.25-mile trail with multiple boardwalks and overlooks. Its opening fulfilled the Metroparks' goal of having a park within five miles of every County resident.

In April 2018, the Metroparks opened Howard Marsh, a 1,000-acre park in near the Lake Erie shore in nearby Jerusalem Township featuring six miles of water trails for canoeing and kayaking and five miles of trails for hiking in a restored wetland area known for its concentration of songbirds in time for the "Biggest Week in American Birding", a major event for northwest Ohio ecotourism attracting thousands of birders from around the world.

Housing

The City has actively sought to promote the development and renovation of housing units in the Downtown area of the City and other neighborhoods. As part of its efforts, the City issued bonds for four separate projects between 1995 and 1998, including \$23.4 million of general obligation bonds and \$11.5 million of housing revenue bonds, the proceeds of which were loaned to developers and used, together with equity raised from the syndication of low-income housing tax credits and historic tax credits, to renovate the former LaSalle's Department Store (the LaSalle Apartments), the former Commodore Perry Hotel (the Commodore Perry Apartments), the former Hillcrest Hotel (the Hillcrest Apartments) and four buildings near the Toledo Museum of Art (the Museum Place Apartments) into a total of approximately 450 residential living units and related commercial space. The City considered these projects to be important to promote further development and the enhancement of housing available in the Downtown and Uptown areas of the City and the area near the Toledo Art Museum, and it provided certain additional subsidies for each project.

While each of the four projects was financed in part with the proceeds of general obligation bonds, loan agreements with the developers contemplated that the project owners would make loan payments to the City sufficient to pay the debt service on those bonds. As a result, through the end of 2021,

the City had made an aggregate of \$5.93 million in debt service payments (including \$1.06 million in Fiscal Year 2021) on the general obligation bonds for which it has not been reimbursed. The City expects that it will be required to pay all or substantial portions of the debt service on those bonds from City funds available for the purpose in Fiscal Year 2022 and future years through 2028.

As was planned, those four projects have served as a catalyst for market-rate housing projects in the Downtown area of the City and other nearby neighborhoods. The Hillcrest Apartments were converted to market-rate apartments and attained full occupancy in 2014. Four other projects, the Bartley Lofts, the Ottawa, the River West Townhouses and the One Hundred South Huron Condominiums, have been completed in recent years, adding 148 market-rate condominium units in the Downtown area of the City and the City's Warehouse District. More than 2,400 other new affordable and market-rate rental units have been completed in the Downtown area of the City and the nearby Uptown and Warehouse Districts. The City expects that an additional 100 units will become available in those areas in future years.

The Standart Lofts, a 70-unit apartment complex, was completely leased within four months after having been developed in 2012 at a cost of over \$10 million. In 2018, the owners of the Standart Lofts completed an estimated \$14 million renovation of the Berdan Building, an historic building constructed in 1902 but vacant since 1985, making 120 additional living units available near the Hensville development in the Warehouse District, with parking for tenants and visitors on a lower floor.

The current strong demand for market-rate living accommodations in the Downtown area of the City is further evidenced by residential occupancy levels at approximately 98% in 2022. More than 3,700 people now live in the Downtown area of the City, and the City projects that number to continue to increase significantly in the next several years. With residential occupancy levels increasing, many new businesses including restaurants, retail establishments, art galleries and a new microbrewery have been completed or are under construction. See the discussion of housing being developed in Hensville and other portions of the Downtown area under **Economic and Community Development Activities – Industry and Commerce – Recent City Downtown Development Activities.**

Collingwood Green, a mixed-income housing development in the Downtown area, has been developed by the Lucas County Housing Authority in five phases. Phase I, a 65-unit midrise building for the elderly that is fully occupied, and Phase II, a 68-unit family townhouse development, were completed in 2013 and 2015, respectively. Phase III, 55 two, three and four-bedroom affordable family units, was completed in February 2020. Phase IV, currently in development, will include 55 family townhomes and 75 senior apartments. Construction is set to begin in Spring 2023 with occupancy in December 2024. A planned Phase V will consist of 75 one-bedroom apartments with commercial space on the bottom and to cost approximately \$17 million, with occupancy expected to occur in December 2024.

In addition to the projects identified above, the City has assisted with a number of other housing development projects in recent years. Those projects include multifamily housing developments financed with low income housing tax credits and federal grants as well as private funding. The City's Department of Neighborhoods administers the Community Development Block Grant (CDBG) and HOME programs and coordinates the City's community development activities. The CDBG and HOME programs, funded by the U.S. Department of Housing and Urban Development (HUD), are designed to carry out a range of activities for neighborhood revitalization, economic development, public services and housing. The City's CDBG entitlement for the program year July 1, 2022, through June 30, 2023, is \$7,373,648 and its HOME funding allocation for that program year is \$2,385,225.

In April 2022, the City's Department of Housing and Community Development established an approximately \$37 million loan pool under HUD's Section 108 Loan Guarantee Program (Loan Pool). The Loan Pool will be available to prospective borrowers Citywide and provides a ready source of long-term, fixed-rate and reasonably priced financing that is not available conventionally. The Loan Pool will bridge financing gaps and enable borrowers to proceed with their respective transactions, create and retain jobs, increase affordable housing, advance equity and equitable development opportunities and expand the existing tax base. Equitable development projects will include projects that support investments in communities and neighborhoods of color or provide financing to Black, Indigenous and People of Color (BIPOC)-led developers, businesses, or organizations. Although the Loan Pool will be available to eligible borrowers Citywide, the City will prioritize investments in projects using Section 108 Financing that are in

targeted neighborhood revitalization areas including Junction, Englewood, Old South End and East Toledo, and promote equity and equitable development. The City may elect to support non-income producing projects and use a portion of annual CDBG allocation as a source of repayment. The Section 108 Loan Guarantee Program allows local governments to leverage five times their current CDBG award into federally guaranteed loans large enough to pursue physical and economic revitalization projects capable of redeveloping entire neighborhoods. As of September 2022, the City has not distributed any loans under the Loan Pool.

In 2022, the City received Voluntarily Reallocated ERA supplemental funding in the amount of \$19,409,830 from the U.S. Department of Treasury for the administration of the ERA Program to provide financial assistance and housing stabilization services to eligible households within the City that can then use the funding to pay rent, utility and internet expenses.

The City has assisted in, and is experiencing positive results from, the activities of the Lucas County Land Reutilization Corporation (the Land Bank). The City and the Land Bank conducted a parcel by parcel, GIS-based, inventory in 2014 that determined the overall condition of the City's housing stock. This inventory has been used to guide investments in community development. In 2016, the Land Bank received a \$15.7 million federal grant of Hardest Hit Funds, through a program administered by the U.S. Department of the Treasury. The Land Bank initially established a goal of renovating or demolishing 1,500 blighted properties in 1,500 days with the proceeds of that grant and, in 2019 it increased that goal to renovating or demolishing 2,000 blighted properties in 1,500 days. In August 2020, the 1,500th day of the effort, the Land Bank announced that it had completed the demolition or renovation of an additional 2,438 properties in total, exceeding its revised goal by 938 properties. Through the end of 2020 the Land Bank has demolished over 2,800 nuisance houses with a total investment of \$30 million dollars of federal, state and local support. With the substantial completion of the Land Bank's targeted demolition program, in December, 2020, the organization's board approved a five-year strategic plan focused on investing in Toledo's neighborhoods. The "Building Neighborhoods" Strategic Plan serves as framework for the Land Bank's next five years. The Land Bank has also acquired vacant and abandoned residential, commercial, and industrial properties in the City that were sold to purchasers with the obligation that the property be renovated, re-occupied and restored to the tax rolls, generating economic activity and saving possible demolition costs. The Land Bank has acquired and sold vacant lots in the City to adjacent homeowners under its side lot program or to landlords, land contract vendors, and businesses to assist in reducing blight and strengthening the neighborhood.

In July 2017, the City received a \$2.9 million grant from HUD to help reduce lead based hazards in homes located within the City. The City continues to use those grant funds to help homeowners, property owners and tenants pay for lead testing and abatement. In 2021, the City partnered with the Toledo-Lucas County Health Department to administer a \$1.2 million dollar settlement from BP Products North America Inc. and BP-Husky Refining LLC. and the United States for supplemental environmental projects with the purpose of reducing children's exposure to lead-based paint hazards.

Since 2017, the Toledo Museum of Art has acquired and converted the Museum Place Apartments and commercial/retail space. The Museum purchased the apartments from the Land Bank, to which the City had transferred ownership of the property. The five buildings making up the Museum Place Apartments have a total of 62 market-rate units. The ownership transfer does not relieve the City of the debt service liability on the general obligation bonds issued by the City to originally acquire the buildings, as discussed above.

In 2020, MVAH Partners announced a plan to invest \$13 million to construct a 58-unit affordable independent living facility targeted for seniors. The project is located on 2.6-acres in West Toledo and was awarded Low-Income Housing Tax Credits through the State of Ohio. Construction of the project began in March 2021 and was completed in 2022. A second phase commenced in 2022 and will include an additional 50 units of affordable senior apartments. The new building will be a \$14 million investment and Low-Income Housing Tax Credits through the State will be used again.

Education

The Toledo City School District is the principal school system in the City and the fourth largest school system in the State. See also **Overlapping Governmental Entities**. It serves approximately 22,053 pupils in 52 elementary, junior high and senior high schools and specialized learning centers. The Board of Education of the School District administers an annual operating budget of approximately \$343.413 million. The Board currently receives approximately 38.27% of its funding from local sources, including taxes, tuition, fees and interest income, approximately 60.90% of its funding from State sources and approximately 0.83% of its funding from federal sources.

The University of Toledo is a State university located in the City that traces its origins to 1872. The Ohio Department of Higher Education reported that for the Fall Term of 2021 the University had a total full-time equivalent (FTE) enrollment of 17,070, consisting of 13,185 FTE undergraduate students and 3,885 FTE graduate and professional students, making it the seventh largest of 14 public universities in the State. The University most recently reported that, together with its Medical Center, it has more than 5,400 employees, including more than 1,500 instructional faculty and more than 3,900 other staff members. In its fiscal year ended June 30, 2021, the University and its Medical Center reported operating revenues of \$754.8 million, including net patient service and other patient services revenue of \$381.4 million, net tuition and fees of \$187.8 million, grants, gifts and contract revenues of \$53.7 million and \$131.9 million of auxiliary and other revenues. The University's 13 colleges attract students from a broad region with a selection of approximately 5,000 course offerings in more than 300 undergraduate, graduate and professional programs.

Mercy College of Ohio, a private institution of higher learning with a focus on healthcare education, has its main campus in the City where approximately 1,331 students were enrolled in Fall 2021.

Within commuting distance of the City are another State university, Bowling Green State University, and a private college, Lourdes University. In Fall 2021, Bowling Green State University had a main campus enrollment of approximately 19,597 undergraduate and graduate students, and Lourdes University an enrollment of approximately 1,279 undergraduate and graduate students. In addition, there are three two-year community colleges located within the vicinity of the County.

Economic and Demographic Information

Population

The City is and has been the most populous municipality in the counties comprising the Toledo MSA. According to Census figures the City's population comprised 54.0% of the total for those counties in 1980, 50.9% in 1990, 47.6% in 2000, 44.1% in 2010 and 41.9% in 2020.

The populations of the City and the County decreased by 5.7% and 2.4%, respectively, from 2010 to 2020. During the same period, the overall populations in the Toledo MSA and neighboring Ottawa County decreased by only 0.7% and 2.6%, respectively, as the population of neighboring Wood county increased by 5.4% and the population of Fulton County essentially remained the same.

The populations of the City and the County in the last five Censuses were:

Year	City	County
1980	354,635	471,741
1990	332,943	462,361
2000	313,619	455,054
2010	287,208	441,815
2020	270,871	431,279

Source: U.S. Bureau of the Census.

The populations of Wood, Fulton, Ottawa and Lucas counties, the counties now comprising the Toledo MSA, in the last five Censuses were:

County	1970	1980	1990	2000	2010	2020
Wood	89,722	107,372	113,269	121,065	125,488	132,248
Fulton	33,070	37,751	38,498	42,084	42,698	42,713
Lucas	483,551	471,741	462,361	455,054	441,815	431,279
Ottawa	37,099	40,076	40,029	40,985	41,428	40,364
Total MSA(a)	<u>643,442</u>	<u>656,940</u>	<u>654,157</u>	<u>659,188</u>	<u>651,429</u>	<u>646,604</u>

(a) Current MSA. The Toledo MSA was redefined in 2003 to include Ottawa County.
Source: U.S. Bureau of the Census.

According to the U.S. Census Bureau, adjacent Monroe County, Michigan had a population of 152,784 in 2010 and an estimated population of 154,809 in 2020.

The U.S. Census Bureau has estimated that in 2020 the City had a population of 270,871.

Industry and Major Employers

The City and the Toledo MSA have diverse economies in both their manufacturing and their increasingly important service sectors. Within the Toledo MSA are manufacturers of automobiles and automotive parts, glass, glass products, wood products, grain and food products, petroleum, chemicals, machinery, tools, rubber products, plastics, die castings and solar energy panels. Among the largest service sector employers in the Toledo MSA are health care providers, public higher educational institutions, local governments, public utilities, freight and transportation companies, financial institutions and retailers.

Owens Corning, a 2022 Fortune 500 corporation, has its headquarters in the City, and two other of the 2022 Fortune 500 corporations, Dana Incorporated and The Andersons have their corporate headquarters in the Toledo MSA.

The following private and public employers have the largest work forces in the City and the major service area of the City:

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Employer	Nature of Activity or Enterprise	Number of Employees
ProMedica Health Systems(a)	Health care	14,465
Mercy Health	Health care	8,827
The University of Toledo	University and Medical Center	7,000
Whirlpool Corporation	Manufacturer and marketer of home appliances	6,182
FCA US LLC(b)	Automotive manufacturer	6,159
Toledo City School District	Education	4,090(c)
The County	Government	2,934(d)
HCR Manorcare	Skilled nursing and rehabilitation centers	3,293
The City	Government	2,721(e)
General Motors Powertrain	Automotive manufacturer	2,036
The Andersons Inc.	Grain storage/processing	1,636
Dana Inc.	Automotive and industrial components	1,549

- (a) See the discussion below regarding recent rating downgrades for ProMedica.
- (b) See the discussion below and elsewhere in this Annual Statement regarding Stellantis.
- (c) From the County's 2021 Annual Comprehensive Financial Report.
- (d) From records of the County Auditor.
- (e) From records of the City.

Source: The City's 2021 Annual Comprehensive Financial Report, except as noted above. Numbers may not reflect the impact, if any, on the individual employers due to the COVID-19 pandemic. See **COVID-19 Pandemic**.

The ProMedica Health System and Mercy Health, are the first and second largest employers in the Toledo MSA, respectively. ProMedica is a nonprofit health care system with hospitals, urgent care, labs and senior care facilities in Ohio and Michigan. Mercy Health is a part of the Bon Secours Mercy Health System, the fifth largest Catholic health ministry and one of the 20 largest health care systems in the United States. Both of these systems have aggressively expanded and improved their facilities and property holdings within the City in the past decade. See **Economic and Community Development Activities – Industry and Commerce – Healthcare**.

On September 15, 2022, Moody's Investors Service, Inc. (Moody's), reduced its rating on the ProMedica system from "Baa3" to "Ba2", following a revision of its rating outlook on the ProMedica system to "negative" in May 2022. On August 9, 2022, S&P Global Ratings (S&P) reduced its rating on the ProMedica system from "BBB-" to "BB", following a downgrade in April 2022 from "BBB" to "BBB-". Fitch Ratings, Inc. (Fitch), reduced its rating on the ProMedica system from "BBB-" to "BB+" in May 2022. The current ratings are considered to be below "investment grade".

The University of Toledo (including its Medical Center) is the third largest employer in the Toledo MSA. Both the University's Main Campus and its Medical Campus are located within the City. In addition to the training and education provided to students, the research programs at the University result in and support the creation of new medical and high-technology enterprises. Office and industrial parks for such enterprises are located near both campuses. For further information concerning its employment and economic impact in the Toledo MSA, see the discussion under **Education**.

In January, 2021, Fiat Chrysler Automobiles (Fiat Chrysler) completed a merger with PSA, the manufacturer of Peugeot automobiles. The resulting corporation, the world's fourth largest auto group, is now known as Stellantis. Stellantis, now the largest manufacturing employer in the Toledo MSA, employed approximately 5,821 workers (5,571 hourly and 250 salaried) at its 3.23-million square foot Toledo Assembly Complex located on a 312-acre site in the City and 592 workers (491 hourly and 101 salaried) at its 1.2-million square foot Toledo Machining Plant located on a 169-acre site in the nearby City of Perrysburg as of August 2021. From 2016 through 2020, Fiat Chrysler had completed approximately \$1

billion of investments in the Toledo Assembly Complex to prepare its Toledo North Plant for the production of the next generation Jeep Wrangler JL (which commenced in December 2017) and its Toledo South Plant for the production of the Gladiator, a new Jeep Wrangler pick-up truck model, which commenced in April 2019. As a part of a labor contract settlement in December 2019, Fiat Chrysler invested an additional \$280 million in the Toledo Assembly Complex to prepare for the production of a new hybrid plug-in version Wrangler, the 2021 Jeep Wrangler 4xe, which began in December 2020. See **Economic and Community Development Activities – Industry and Commerce – Automotive**.

In May 2016, Toledo Assembly Complex was awarded silver status for its continuous efforts to improve in World Class Manufacturing (WCM), becoming the first U.S. assembly plant to receive this designation. Similarly, the Toledo Machining Plant was awarded such silver status for its results in implementing WCM in June, 2018. WCM is a methodology that focuses on eliminating waste, increasing productivity and improving quality and safety in a systematic and organized way. WCM engages the workforce to provide and implement suggestions on how to improve their jobs and their plants, promoting a sense of ownership. The achievement of WCM award levels, as confirmed through independent audits, recognizes the long-term commitment of the workforce to making significant changes that can secure the future of a facility.

General Motors' Powertrain Division employed approximately 1,693 workers (1,496 hourly and 197 salaried) as of December 6, 2021 at a 2.82-million-square-foot plant located on 151 acres in the City in which it manufactures and assembles both front-wheel and rear-wheel drive transmissions. That facility has been recognized by Harbour Report as the most productive powertrain plant in North America on multiple occasions. The six-speed and eight-speed rear-wheel-drive and six-speed front-wheel-drive transmissions manufactured and assembled at the plant are used in a variety of Chevrolet, Buick, GMC and Cadillac vehicles. Since 2011, General Motors has invested more than \$1.0 billion in improvements and equipment for the plant. The City and the State provided grants and tax incentives to General Motors in connection with certain of those improvements. In 2021, GM invested an additional \$75 million in the plant to increase its capacity for production on 10-speed transmissions for full-size trucks. In September 2022, General Motors announced it would invest \$760 million in its Alexis Road transmission plant to enable production of electric vehicle (EV) propulsion systems. See **Economic and Community Development Activities – Industry and Commerce – Automotive**.

Owens Corning, a global producer of residential and commercial building materials, glass-fiber reinforcements and engineered materials for composite systems with sales of \$8.5 billion in 2021, employs approximately 19,000 in 33 countries, including approximately 1,545 in the Toledo MSA. The Owens Corning headquarters are located in facilities in the City's downtown. Owens Corning has been a Fortune 500® company for 68 consecutive years. In 2013, the company agreed to a 15-year extension of its lease of those facilities and, under the terms of that lease, if it continues to maintain its headquarters there, title to the facilities will transfer to the company on the date of expiration of the underlying ground lease. The company was ranked first on Corporate Responsibility Magazine's list of 100 Best Corporate Citizens for each of the years 2019, 2020 and 2021.

Dana Incorporated, a designer and manufacturer of power-conveyance and energy-management solutions for vehicles and machinery with sales of \$8.9 billion in 2021, currently employs approximately 38,200 workers in 33 countries worldwide, including approximately 1,100 in the Toledo MSA. Dana has been a Fortune 500® company for 66 consecutive years. Dana's operations in the Toledo MSA have included its world headquarters and a division office and research and development center that are located in a company-owned technology center in the adjacent City of Maumee, Ohio. In 2017, Dana completed a \$70 million axle manufacturing facility in the Overland Industrial Park in the City and began assembling axles. Dana now employs approximately 300 workers at that facility. See **Economic and Community Development Activities – Industry and Commerce – Recent Development Activities of Major Employers**. Dana was named one of "America's Most Responsible Companies 2021" by Newsweek for its emphasis on sustainability and social responsibility. The company is driven by a high-performance culture that focuses on its people, which has earned it global recognition as a top employer, including "World's Best Employer" from Forbes magazine.

The Andersons, Inc., also based in the City of Maumee just south of the City, is a Fortune 500® corporate conglomerate with a collection of agricultural-based businesses that include grain, fertilizers, and

ethanol production for alternative energy fuel that reported revenue approximately \$8.21 billion in 2021 and now employs approximately 767 workers in the Toledo MSA and 2,295 companywide.

The Toledo MSA serves as a major transportation center, and significant employment is provided by transportation industry employers. See **Transportation**.

The City’s economy, historically associated with the glass and automotive industries, has become increasingly diversified. The Toledo MSA remains the home of four of the nation’s largest glass manufacturing companies, O-I Glass, Inc., Owens-Corning, Pilkington North America, Inc., and Libbey Glass LLC (formerly, Libbey, Inc.), earning the City the title of the “Glass Capital of the World.” Stellantis, General Motors Company and Dana Incorporated continue to provide a major automotive industry presence in the Toledo MSA. The Toledo MSA is also one of the larger oil refining centers between Chicago and the eastern seaboard, with BP Oil Co. and Toledo Refining & Marketing Co. each operating a major refinery in the MSA. (In August 2022, BP Oil Co. announced it is selling its 50% interest in the bp-Husky Toledo Refinery to Cenovus Energy Inc., its joint venture partner in the facility.) However, as is shown in the tables that follow, in recent years, private service industries and governmental employers have provided more than 80% of the total employment in the Toledo MSA and more than 75% of total payrolls in the County.

The following table indicates the division of labor between different industrial classifications in the Toledo MSA for the years 2017 through 2021 and for August 2021 and August 2022.

TOLEDO MSA EMPLOYMENT BY INDUSTRY^(a)
(In Thousands)

Industries	2017	2018	2019	2020	2021	August	
						2021	2022 ^(b)
Service Providing							
Transportation and Utilities	27.0	26.9	27.2	26.8	28.3	28.3	29.2
Wholesale and Retail Trade	44.7	43.8	42.8	40.9	41.4	41.4	42.1
Finance, Insurance and Real Estate	10.9	11.2	11.3	10.9	11.0	11.1	10.9
Services	123.0	123.5	122.3	107.8	110.4	111.5	119.7
Government	45.2	45.1	45.2	42.6	42.2	40.1	40.6
Total Service Providing	250.8	250.5	248.8	229.0	233.3	232.4	242.5
Goods Producing							
Manufacturing							
Durable Goods	32.9	34.7	36.2	33.7	35.5	34.8	37.8
Nondurable Goods	10.1	10.5	10.6	10.1	10.3	10.4	10.3
Total Manufacturing	43.0	45.2	46.8	43.8	45.8	45.2	48.1
Construction	14.0	14.5	15.4	13.9	13.9	14.5	16.1
Mining	*	*	*	*	*	*	*
Total Goods Producing	57.0	59.7	62.2	57.7	59.7	59.7	64.2
Total Employment	307.8	310.1	310.9	286.7	293.0	292.1	306.7

* Not Available.

(a) Subtotals may not add to totals because of rounding or exclusion of minor groups.

(b) Preliminary.

Source: Ohio Department of Job and Family Services.

The table below shows the payrolls of employers in the County during the years from 2011 through 2021, broken down by type of employment.

TOTAL PAYROLL FOR COUNTY EMPLOYERS(a)
(In Thousands of Dollars)

	Agriculture Forestry And Fishing	Mining and Quarrying	Construc- tion	Manufac- turing	Transporta- tion and Utilities	Wholesale and Retail Trade	Insurance Finance and Real Estate	Services	State and Local Govern- ment	Total All Industries(b)
2011	6,787	7,975	428,228	1,264,104	307,620	960,103	409,206	3,564,266	1,214,449	8,162,737
2012	7,048	8,022	499,318	1,434,250	292,698	975,900	431,296	3,666,510	1,189,575	8,504,616
2013	6,846	8,766	430,444	1,461,360	292,029	969,952	441,400	3,699,691	1,241,266	8,551,752
2014	7,435	8,360	516,841	1,570,936	316,999	982,585	482,874	3,801,537	1,259,423	8,946,991
2015	7,818	9,083	517,258	1,670,587	330,243	1,019,071	487,478	3,939,708	1,336,930	9,318,173
2016	7,026	9,814	587,346	1,700,824	335,447	1,026,662	495,310	4,064,884	1,358,047	9,585,363
2017	6,607	10,928	538,711	1,644,843	348,252	1,040,665	508,063	4,130,047	1,337,175	9,565,292
2018	9,148	11,548	547,830	1,869,417	363,216	1,066,316	505,071	4,290,318	1,375,576	10,038,438
2019	8,450	12,231	654,224	2,051,150	337,390	1,068,399	522,875	4,308,327	1,425,358	10,388,405
2020	7,409	11,930	555,488	1,908,540	338,110	1,082,373	518,200	4,202,256	1,471,290	10,095,595
2021(c)	7,816	13,601	586,428	1,986,751	374,643	1,176,695	540,736	4,449,798	1,495,228	10,631,698

(a) As reported under Ohio Unemployment Compensation Law.

(b) This total, expressed in thousands, may not equal the sum of the industries listed because of the exclusion of minor industrial divisions and those with fewer than three employees.

(c) Preliminary.

Source: Ohio Department of Job and Family Services.

Employment

The following table shows comparative average employment and unemployment statistics for the indicated periods.

Year	Employed in			Unemployment Rate				
	City	County	MSA	City	County	MSA	State	U.S.
2017	121,100	199,100	288,600	6.6%	5.9%	5.5%	5.0%	4.4%
2018	121,000	199,700	289,400	5.8	5.2	4.9	4.5	3.9
2019	121,800	201,900	293,000	5.2	4.7	4.4	4.2	3.7
2020	112,000	186,600	270,900	12.0	10.3	9.4	8.2	8.1
2021	115,400	192,200	279,100	7.1	6.2	5.7	5.1	5.3
2022								
Jan.	117,000	194,900	282,700	5.8	5.3	4.9	4.8	4.4
Feb.	118,500	197,400	286,400	5.4	5.0	4.7	4.8	4.1
Mar.	119,400	198,900	288,700	4.6	4.3	4.1	4.4	3.8
Apr.	119,800	199,500	289,500	4.4	3.9	3.6	3.7	3.3
May	121,100	201,600	292,700	4.2	3.7	3.5	3.6	3.4
June	120,300	200,400	290,800	5.1	4.6	4.4	4.5	3.8
July	120,800	201,300	292,100	5.2	4.7	4.4	4.4	3.8
Aug.	119,700	199,400	289,300	5.4	4.9	4.6	4.3	3.8

(a) Not seasonally adjusted.

Source: Ohio Department of Job and Family Services.

Income and Spending

The following table sets forth indicators of per capita income and median family income in selected counties of the State, the State and the United States.

INCOME INDICATORS

	OHIO COUNTIES								OHIO	U.S.
	Lucas	Cuyahoga	Franklin	Hamilton	Mahoning	Montgomery	Stark	Summit		
2020 Per Capita Personal Income	\$29,496	\$34,398	\$34,790	\$37,028	\$28,693	\$31,146	\$30,168	\$34,684	\$32,465	\$35,384
2020 Median Family Income	\$66,146	\$70,472	\$78,510	\$80,443	\$64,004	\$69,893	\$70,330	\$76,439	\$74,391	\$80,069

Source: U.S. Census Bureau Selected Source Characteristics in the United States 2016-2020.

The following shows the average federal adjusted gross income for all residents of the respective school districts overlapping the City who filed Ohio personal income tax returns for calendar year 2020 and for all such residents in all Ohio school districts.

School District of Residence	Average Amount	Approximate % of Real Property Tax Valuation of School District located in the City
Maumee City School District	\$ 58,467	1.45%
Ottawa Hills Local School District	226,340	0.01
Springfield Local School District	75,107	1.84
Sylvania City School District	96,743	3.20
Toledo City School District	39,935	70.19
Washington Local School District	46,442	23.31
All Ohio School Districts	\$ 90,622	N/A

Source: OMAC and the Ohio Department of Taxation.

Home Values and Housing Units

The following is Census information concerning housing in the City, with comparative County and State statistics:

	Median Value of Owner- Occupied Homes(a)	% Constructed Prior to 1940(a)	Number of Housing Units		%
			2010(b)	2020(a)	Change
City	\$ 83,600	32.6%	138,039	137,738	-0.22%
County	120,900	25.3	202,630	203,586	+0.47
State	151,400	20.0	5,127,508	5,217,090	+1.75

(a) Source: U.S. Census Bureau Selected Source Characteristics in the United States 2016-2020.

(b) Source: U.S. Census Bureau 2010: Decennial Census Summary File.

Building Permits

The number and estimated value of all building permits (including commercial, industrial and public, and both remodeling and new construction) issued in the City in recent years were:

Year	Number	Value
2017	9,264	\$328,401,841(a)
2018	9,664	248,493,422(a)
2019	9,506	233,362,288(a)
2020	8,294	236,463,845(a)
2021	9,917	199,221,656

(a) Figures restated from those that appeared in prior City Annual Statements.
Source: City Inspection Division.

Transportation

The City and surrounding areas are served by a broad-based transportation system, including well-developed ground, air and water transportation facilities.

Ground Transportation

The Ohio Turnpike (Interstate 80/90) and Interstates 75, 280 and 475, complemented by six State routes and five U.S. highways, provide the City with direct east-west interstate highway access to such cities as Cleveland, Chicago, Boston, New York, Pittsburgh and Philadelphia and direct north-south access to such cities as Detroit, Cincinnati and Atlanta. The City is also a major rail center. Four rail systems utilize more than 1,200 miles of track within the City.

Amtrak operates four passenger trains through the City between 11:50 p.m. and 6:15 a.m. daily, along an east-west route serving such other cities as Chicago, Cleveland, Boston, Pittsburgh, Washington D.C. and New York. Additional daily interstate passenger service is provided by six privately owned bus lines, including Greyhound, which runs approximately 24 daily bus trips through the City, providing service to Cleveland, Chicago, Detroit, Cincinnati, Columbus and Indianapolis.

It has been estimated that over 40 trucking and cartage firms provide service in the area of the City.

The City is also a major rail center. Four freight rail systems utilize more than 1,200 miles of track within the City. Norfolk Southern Railway and CSX Corp. both operate freight rail service and major intermodal transportation facilities in the MSA. See **Industry and Major Employers**.

The Toledo Area Regional Transit Authority (TARTA), a separate political subdivision, provides local bus service in the City and surrounding areas. TARTA has been funded in part by property taxes levied on its service area that was comprised of the City and five surrounding municipalities and one township. In recent years, those taxes provided approximately \$12.8 million for operation and improvement of the system.

In December 2021, TARTA's board of trustees voted to amend the authority's charter to add the County as a new member jurisdiction after voters approved a one-half percent (0.5%) sales tax for TARTA that is to be collected in the County and the adjacent City of Rossford, the only current TARTA member that isn't in the County. Collection of that sales tax, which is estimated to generate approximately \$30 million annually, began in 2022. TARTA is in the midst of planning a system-wide service revision to expand operations to include all of the County and the City of Rossford.

TARTA's 2022 budget projects \$12.5 million in sales tax revenue plus \$13.2 million from property taxes, which the agency will receive in 2022. The property taxes for TARTA will be eliminated after collection year 2022.

TARTA ridership over the past five years has been as follows:

Year	Number of Passengers
2017	2,851,010
2018	2,561,734
2019	2,007,249
2020	1,166,747
2021	1,577,865

Source: TARTA.

Airports

The City is served by four airports. Commercial airline traffic is provided through the City's Eugene F. Kranz Toledo Express Airport (Toledo Express Airport) and Detroit Metropolitan Airport. Toledo Express Airport is a regional airport located approximately 15 miles southwest of the City, and Detroit Metropolitan Airport is located approximately 45 miles north of the City. The City is also served by two smaller, general aviation airports, including the City's Toledo Executive Airport (formerly known as Metcalf Field), which is located approximately five miles south of the City.

The City's two airports, Toledo Express Airport and Toledo Executive Airport, are both leased to the Port Authority. Under the terms of the lease, which has been extended to run through February 11, 2036, the Port Authority is required to administer the maintenance, operations and development of the City airports, and to account separately for revenues, expenses and other matters related to the airports.

Until recently, Toledo Express Airport was served by two commercial airlines, Allegiant Air and American Airlines. American Airlines announced in June 2022 that it was ceasing its American Eagle service to Toledo Express Airport (and three other cities) due to a shortage of commercial pilots. The last daily flight was September 6, 2022. Allegiant Air continues to offer less-than-daily service between the City and three cities in Florida and one in Arizona.

The following is selected historical information pertaining to activity at Toledo Express Airport:

Year	Passengers Enplaning	(Landings/Takeoffs)		
		Military Operations	Commercial Carrier	General
2017	98,427	4,237	1,286	29,261
2018	121,116	3,983	1,902	32,918
2019	122,878	4,483	2,911	31,481
2020	63,613	3,744	1,848	26,714
2021	81,852	3,981	3,738	32,128

Source: Port Authority.

Toledo Express Airport remains a base for the 180th Fighter Wing, Ohio National Guard (the 180th). With employment of more than 1,400, including both Active Guard Reservists and Drill Status Guardsmen, the total economic impact of the base for the region is estimated to be more than \$123 million.

Toledo Express Airport is also the principal general aviation airfield in northwest Ohio. In 2016, the Port Authority and U.S. Customs and Border Protection marked the completion of a new \$825,000, 5,000-square-foot General Aviation Facility at the Airport. The General Aviation Facility is used to clear certain international flight crews, passengers and cargo and can accommodate flights with up to 20 passengers and the arrival of multiple aircraft at one time.

In 2017, the Port Authority entered into a 10-year lease with Tronair, a manufacturer of ground support equipment for the aviation industry, for 224,000 square feet of space in a 300,000-square-foot facility at Toledo Express Airport formerly operated as an intermodal cargo distribution facility. The

company has invested \$9.5 million in upgrades to the facility in preparation for its use. Tronair created 110 new jobs for its operations at the site.

Substantial areas on the south side of Toledo Express Airport are included in a foreign trade zone (which permits customs duty to be deferred on imported goods stored in the zone) or in a community reinvestment area designated by the County (which permits certain property tax incentives for construction projects).

The City's Toledo Executive Airport, managed and operated by the Port Authority and located in Wood County near interchanges on Interstate 75 and the Ohio Turnpike, provides an aircraft charter service, flight instruction facilities and facilities for fueling, maintenance and storage of private aircraft. Toledo Suburban Airport, a privately owned airport located within 10 miles northeast of the City in Ottawa Lake, Michigan, is the other general aviation airport serving the City.

Seaport

The Maumee River, which runs through the City, is the largest river flowing into the Great Lakes. The Port Authority was originally formed by the City and the County in 1955 to develop and enlarge the Port of Toledo at the mouth of that River. As required by its authorizing legislation, the Port Authority has adopted a plan for the Port of Toledo designating port-related uses to be made of various properties within the Seaport.

The Port Authority owns a general cargo transshipment facility known as Facility No. 1, located on a 135-acre site at the mouth of the Maumee River and partly within the City. Facility No. 1 includes over 500,000 square feet of transit sheds, 4,000 feet of dock, two mobile harbor cranes, a 15,000,000-gallon bulk liquid storage terminal, a dry bulk handling and storage facility and additional storage and fabrication areas within the Seaport. Facility No. 1 is part of a foreign trade zone.

The Port Authority also owns approximately 505 acres of land adjacent to Facility No. 1 on which facilities for the transshipment of coal are located. Adjacent to that site are additional facilities for the transshipment of iron ore.

The Port is now the largest land-mass seaport on the Great Lakes. The Ironville Docks, completed in late 2013, as part of a public-private partnership with Midwest Terminals of Toledo, includes 20,000 feet of rail lines, providing access to a second Class-1 railroad, warehousing, lay-down areas and a multi-modal conveyor and material transfer system for rapid freight unloading and stacking. The site is very active with the trans-loading of material between rail car, truck and vessel.

In December 2020, IronUnits, LLC, a wholly owned subsidiary of Cliffs Natural Resources Inc., completed construction of a \$700 million iron processing facility on a former refinery site. See **Economic and Community Development Activities – Industry and Commerce – Other Recent Commercial Development Activities**. Cliffs has projected that the facility will receive two million tons of iron ore mined in Minnesota and Michigan and transported to the Ironville Docks on an estimated 100 Great Lakes ships annually. The finished product from the new facility will be shipped out on 16,000 rail cars and trucks to steel mills in the Great Lakes region.

The Port Authority also owns one of two remaining shipyards on the lower Great Lakes and leases for operation the only dry dock for ships in the lower portion of the Great Lakes with facilities to berth vessels up to 800 feet long.

Within the Port of Toledo, there are also privately owned grain storage facilities, petroleum docks and other general and bulk cargo facilities. The Port of Toledo also includes small boat marinas and waterfront recreational areas as well as the National Museum of the Great Lakes.

The table below sets forth certain indicators of the vessel traffic and cargo handled at Port Authority facilities for the last five years.

	Vessel Traffic		Net Tons of Cargo Handled				
	Foreign(a)	Total	Total Receipts and Shipments	Coal	Iron Ore	Grain	All Overseas
2017	28	523	9,619,723	2,677,725	3,417,862	1,237,741	991,636
2018	54	513	9,842,325	2,721,739	3,067,501	1,728,016	1,495,371
2019	48	543	9,587,690	2,448,749	3,645,789	1,005,452	818,072
2020	55	515	9,360,177	2,182,630	3,307,930	1,558,861	1,448,313
2021	41	544	11,428,753	2,440,648	5,327,184	1,282,104	993,158

(a) Foreign vessels do not include Canadian vessels, except those in overseas trade.

Source: Port Authority.

City Facilities

The City's facilities include office and administration buildings, parks and recreation buildings and facilities, maintenance and storage facilities, streets and bridges, covered walkways and tunnels, and the City's sanitary sewer, storm water drainage and waterworks system facilities. See also **Water System – Facilities and Operations, Sewer System – Facilities and Operations and Storm Water Management System.**

The City has leased approximately 35% of the rentable space in the 22-story One Government Center office building since 1983 when the building was completed. Many of the City's administrative offices are located in that building. The State and the County utilize the remaining office space. In 2018, the State conveyed One Government Center to the Port Authority and, at the request of the Port Authority, the City agreed to an amendment to its then current lease to extend for an initial term of ten years through December 31, 2028, with an option to renew the lease for two successive and continuous terms of five years each. See **Long-Term Financial Obligations Other than Bonds and Notes – Lease Agreements.**

The City also leases 38,000 square feet of office and customer service space in the Downtown area of the City for its Department of Public Utilities and 25,000 square feet of office space for its engineering staff. The City's current lease for those spaces runs through May 31, 2029, and December 31, 2022, respectively. See **Long-Term Financial Obligations Other than Bonds and Notes – Lease Agreements.**

Water System

Facilities and Operations

The City owns and operates a waterworks system (the Water System) as a self-supporting enterprise that in 2021 produced an average of 64.7 million gallons of potable water per day, with a peak flow of 97.8 million gallons per day. Water is drawn from Lake Erie, treated at the City's Collins Park Water Treatment Plant (the Plant), which has capacity to treat up to 130 million gallons of water per day, and then distributed through approximately 1,165 miles of water lines, over 50% of which were installed before 1930. The estimated replacement cost of the Water System is \$1.362 billion. The Water System is operated by the Divisions of Water Treatment and Water Distribution within the City's Department of Public Utilities.

The City has maintained and used the Water System's fund balance to pay costs of routine, ongoing maintenance and repairs and portions of the costs of improvements, extensions and replacements of parts of the Water System, as necessary. At December 31, 2021, the accrual-basis balance of the City's fund for Water System replacements amounted to \$49.3 million, including an emergency reserve of \$13.0 million, and the accrual-basis balance of the City's fund for Water System improvements and extensions amounted to \$0.1 million. The City has spent an average of approximately \$38.9 million annually for replacements, improvements and extensions for the Water System over the past 10 years, utilizing from proceeds of loans from governmental agencies and proceeds of Water System revenue bonds (Water

Revenue Bonds) as well as Water System revenues and balances. It expects to spend approximately \$7.0 million (including from funds already borrowed) for those purposes in 2022.

In 2012, the City began a major capital improvement program (the Capital Improvement Program) to rehabilitate and replace portions of the Water System's intake, treatment and distribution facilities. The original estimated cost of the Capital Improvement Program was \$312 million, which included (i) improvements to the Plant estimated to cost \$243.5 million, based on a "Collins Park Water Treatment Plant 20-year Master Plan & Needs Assessment" prepared by the City in 2011, and (ii) improvements to the intake and distribution facilities estimated to cost \$68.4 million.

In 2012, the Ohio Environmental Protection Agency (Ohio EPA) conducted a sanitary survey of the Plant and by a letter dated June 10, 2013, advised the City of six "Significant Deficiencies" at the Plant and established a general timeline providing for remedial actions to be completed by 2018. At the urging of the Ohio EPA, in 2014, the City, with the assistance of its consulting engineering firm, prepared a "General Plan of Improvements for the Collins Park Water Treatment Plant" (the General Plan) to address all of the improvements to the Plant specified by the Ohio EPA. The General Plan, and a later amendment, were incorporated into the Capital Improvement Program, along with improvements identified by the City's consultants in more in-depth, City-initiated studies prompted by the Ohio EPA's sanitary surveys.

Following the detection of an unacceptable level of microcystin, a toxin derived from a large algae bloom in Lake Erie, in water that had been treated by the Water System that resulted in an advisory (the Water Advisory) to Water System customers instructing them to refrain from ingesting tap water during a two-day period in August 2014, the City amended the scope of the General Plan to include treatment barriers to remove algae toxins and accelerated certain of its previously planned improvements to the Water System, including significant improvements to its activated carbon feeding capacity and potassium permanganate treatment capacity in order to mitigate the possibility of similar events resulting from harmful algae blooms (HAB) and to address other water treatment issues. In the spring of 2015, the City constructed the HAB-related chemical feed improvements and installed early warning water quality monitoring buoys and sondes.

Also in response to the microcystin event, the City formed an independent panel in 2015, financed with an interest-free Ohio EPA loan, to review the General Plan and identify any additional improvements to the Water System required to address its water treatment needs and mitigate the possibility of future water events caused by harmful algal toxins. Based on its review, the panel endorsed the General Plan and recommended the addition of ozone treatment facilities at the Plant.

The City amended the General Plan to provide for ozone treatment at the Plant, an improvement that it had not originally planned but which was recommended by the panel that reviewed the City's Capital Improvement Program following the Water Advisory. Construction of that improvement began in 2018 and was operational in 2021.

In 2015, the Ohio EPA conducted a second sanitary survey and by a letter to the City dated September 15, 2015, identified three additional "Significant Deficiencies." Remedial improvements for two of those "Significant Deficiencies" were previously included in the General Plan reviewed by the Ohio EPA.

The Ohio EPA approved the General Plan on January 26, 2016. The Ohio EPA subsequently set specific dates for completion of remedial actions for elimination of the nine "Significant Deficiencies." To date, the City has addressed all six original of the "Significant Deficiencies" identified by the Ohio EPA in 2013, and one of the three "Significant Deficiencies" identified by the Ohio EPA in 2015. The remaining two are being addressed by improvements scheduled to be completed by 2023. In 2018, the Ohio EPA conducted a third sanitary survey and no additional "Significant Deficiencies" were identified.

The total cost of all improvements outlined in the Capital Improvement Program is now estimated to be \$513 million. Approximately \$380 million of the improvements included in the current Capital Improvement Program represent improvements to the Plant, with the balance representing improvements to the Water System's water intake, low service pump station, raw water mains and distribution system. To date, the City has completed approximately 87% of the improvements included in

the Capital Improvement Program. The City plans to complete the major remaining improvements included in the Capital Improvement Program by June 2023.

The City will pay the remaining costs of the improvements included in the Capital Improvement Program from the proceeds of Water Revenue Bonds and from Ohio Water Development Authority (OWDA) and Ohio EPA Water Supply Revolving Loan Account (WSRLA) loan funds. See **Outstanding Water System Revenue Bonds and Other Obligations, Long-Term Financial Obligations Other than Bonds and Notes, Future Financings and Appendix B**. As of September 2022, \$512,989,675 of financing has been secured for the water system improvements, comprised of Water Revenue Bond issuances in 2012, 2013, 2016 and 2018; Ohio Water Development Authority (OWDA) loans in 2012, 2014, 2019 and 2020; and Ohio EPA Water Supply Revolving Loan Application (WSRLA) loans in 2015, 2018, 2019, and 2020. Additionally, the City secured \$101 million of Water Revenue Bonds for the acquisition and installation of water meters in the City, which were not included in the Capital Improvement Program. Water rate adjustments effective January 1, 2020, through December 1, 2023, have been authorized by City Council to generate funds required to provide for debt service on existing Water System obligations. The City will continue to reassess the existing rate structure annually and anticipates future rate adjustments in 2024 through 2027 may be required to provide funds for debt service on new Water System debt. See **Water System – Water Rates**.

Service Area and Users

The Water System is a regional utility that provides water service for approximately 130,300 residential, commercial/institutional and industrial customers in the City and certain surrounding areas in Northwest Ohio and Southeast Michigan. The City estimates that approximately 500,000 people are served by the Water System.

In 2021, the Water System sold 1,344.0 million cubic feet (mcf) of treated water within the City, 361.2 mcf of treated water to Lucas County, 156.7 mcf of treated water to the City of Perrysburg, 131.7 mcf of treated water to Monroe County (Michigan), 88.9 mcf of treated water to the City of Maumee, 72.4 mcf to the City of Sylvania, 67.2 mcf of treated water to adjacent Fulton County through Lucas County, and 145.5 mcf of treated water to Wood County’s Northwest Water & Sewer District for resale to and use by its water customers.

Toledo Refining Company LLC (a subsidiary of PBF Holding Company LLC and an operator of a major refinery near the City) was the Water System’s largest private user by volume in 2021 at 270.2 mcf and the only private user whose usage volume exceeded 3% of the total volume produced by the Water System in that year. The following table shows the aggregate volume of water purchased by direct customers inside and outside the City and by bulk purchasers for use or distribution outside the City.

User Volume (in thousands of cubic feet)

Description	2017	2018	2019	2020	2021
Inside – Direct	1,478,875	1,424,970	1,436,002	1,348,323	1,343,970
Outside – Direct	302,150	365,419	338,800	371,772	338,155
Outside – Bulk	688,245	670,518	665,599	691,761	686,030
Total	2,469,270	2,460,907	2,440,401	2,411,856	2,368,155

Over the past five years, residential usage has accounted for approximately 40.9% of total usage, commercial usage for 10.9%, industrial usage for 19.1%, and bulk and hydrant meter usage for 29.1%. The user volume for each category of user for the years 2017 through 2021 was as follows:

User Volume (in thousands of cubic feet)

Description	2017	2018	2019	2020	2021
Residential	973,750	1,009,294	947,821	1,001,731	968,232
Commercial	295,211	267,476	292,721	276,228	259,361
Industrial	512,064	509,748	505,761	438,592	451,627
Other (Bulk & Hydrant Meters)	688,245	674,389	694,098	695,305	688,935
Total	2,469,270	2,460,907	2,440,401	2,411,856	2,368,155

The following table shows the aggregate volume of water purchased from the Water System by district for the last five years:

Water Consumption by District (in thousands of cubic feet)

District	2017	2018	2019	2020	2021	Contract Expires
Toledo Inside	1,478,875	1,424,970	1,436,002	1,348,323	1,343,970	n/a
Maumee	91,072	96,598	89,896	90,701	88,922	2060
Perrysburg	133,376	128,166	129,857	138,227	156,656	2060
Sylvania	77,867	75,122	69,227	74,491	72,444	2060
Monroe County	142,132	130,529	123,321	137,501	131,711	2060
Lucas County	331,981 ^(a)	388,872	363,281	398,521	361,205	2060
Wood County	129,801	128,872	141,818	138,624	145,507	2060
Fulton County	83,680	87,294	85,541	84,008	67,224	2060
Berkey	486	484	1,458	1,460	516	2042
Total:	2,469,270	2,460,907	2,440,401	2,411,856	2,368,155	

(a) Decrease reflects the fact that the City of Waterville, formerly served by the Water System and Lucas County, cancelled its contract in 2017 and is now served by the City of Bowling Green's municipal water system.

The following table shows the dollar amounts paid by the ten largest users of water purchased from the Water System in 2021:

	Water Revenue (\$)	% of Total Revenue
The County	\$18,433,431	22.4%
Monroe County	5,540,648	6.7
Toledo Refining Co. LLC	4,617,305	5.6
Northwest Water & Sewer District	4,580,397	5.6
City of Perrysburg	4,049,502	4.9
City of Sylvania	3,043,809	3.7
City of Maumee	2,336,733	2.8
Fulton County	2,182,187	2.6
Daimler Chrysler Group LLC	847,663	1.0
Village of Whitehouse	754,730	0.9
Top 10 Largest Users Total	\$46,386,405	56.2%

See **Economic and Community Development Activities – Other Recent Commercial Development Activities** for information concerning future private bulk users Clean Energy Future LLC and IronUnits LLC (a subsidiary of Cliffs Natural Resources Inc.) for new plants currently under construction or recently completed.

Toledo Regional Water Commission

In December 2019, the contract communities (the County and all the other communities that purchase water from the City (i.e., the Counties of Fulton, Monroe (Michigan), and Wood (Northwestern Water and Sewer District) and the Cities of Maumee, Perrysburg and Sylvania, and the Village of Whitehouse) and the City agreed to a uniform water agreement; all parties have signed this agreement. The agreement includes details governing the development of water rates and necessary capital improvements based on the cost of service. The Toledo Regional Water Commission (TRWC) originally convened at the end of 2019 and established bylaws to govern operation of TRWC.

In 2020, TRWC completed its first full year of operations. This included approving a Water Capital Improvements Program and four years of rates (2020 through 2023) as part of the seven-year rate transition pursuant to the uniform water agreements. The 10 TRWC members are non-elected utility representatives from the following: the County; Fulton County; Monroe County; Michigan South County Water; Northwestern Water and Sewer District; City of Perrysburg; City of Maumee; City of Sylvania; the City; and the Village of Whitehouse.

Water Rates

The City's water user rates are set at a level sufficient to provide funds for costs of operating, maintaining and providing necessary replacements and improvements for the Water System and for debt service requirements on outstanding Water Revenue Bonds issued, and OWDA, Ohio EPA WSRLA and Ohio Public Works Commission (OPWC) loans obtained, for improvements to the Water System.

Historically, the Council has passed rate ordinances that have established rates for four-year periods. The Council has authority to increase water rates as may be necessary for those purposes. Current water rates are expected to generate approximately \$88.0 million from metered sales in Fiscal Year 2022. As was contemplated by the regional water agreements entered into in October, 2019, in November 2019, the City Council approved new schedules of water rates recommended by the newly formed Regional Water Commission and effective for the four-year period commencing on January 1, 2020, with a goal of keeping water rates equitable and predictable while planning for future capital needs at the Plant.

Under the current water rate schedules, minimum charges have been eliminated and individual customers inside the City are paying monthly rates that include a fixed charge of \$6 to cover billing, meter reading and other customer service functions and a variable charge of \$2.742 per 100 cubic feet of metered water consumed. Discounts are provided to seniors and those permanently and totally disabled for their primary, single metered, single family, owner-occupied permanent residences (in the amount of 25% for the first 667 cubic feet of water consumed monthly), to those of senior and disabled customers with eligible incomes at or below the federal poverty level (in the amount of 40% for all water metered monthly water consumption) and to those consuming more than 160,000 cubic feet of metered water per month (approximately 44% for their monthly consumption in excess of 160,000 cubic feet). All such rates are scheduled to increase by 10% annually through 2023.

Rates of customers outside of the City remain in excess of those for customers inside the City. Lucas County water customers located outside the boundaries of the Contract Community service areas are currently paying monthly rates that include a fixed charge of \$9 to cover billing, meter reading and other customer service functions and a variable charge of \$4.30 per 100 cubic feet of metered water consumed. The monthly fixed charges paid by those Lucas County customers are to decrease by \$1.00 annually through 2023 and the variable charges paid by those customers are to decrease by \$0.10 per 100 cubic feet of metered water consumed in 2021 and \$0.05 per 100 cubic feet of metered water consumed in 2022 and 2023 (except that variable charge paid by such customers consuming more than 160,000 cubic feet per month are to decrease by \$0.55 per 100 cubic feet for their monthly consumption in excess of 160,000 cubic feet in 2023). Those customers who are seniors or are permanently and totally disabled are eligible for the same discounts provided to such customers inside the City, as described above.

Wholesale rates being paid by the other Contracting Communities currently range from \$26.06 for each 1,000 cubic feet of metered water (for the City of Perrysburg) to \$42.00 for each 1,000 cubic feet of metered water (for Monroe County, the Northwestern Water and Sewer District and the City of Sylvania),

all of which will be adjusted annually through 2023 (with some increasing and others decreasing during that period). Individual customers in those Contracting Communities pay additional rates for water service imposed by their respective Communities.

The City expects the current rates to be sufficient (i) to cover all costs of operation, maintenance and repair of the System and debt charges on both its outstanding loans and Water Revenue Bonds and the anticipated additional loans and Water Revenue Bonds to be incurred and issued through 2023, and those required to provide funds necessary to complete its currently planned Capital Improvement Program and its water meter replacement program and (ii) to meet coverage requirements set forth in the trust indenture securing the Water Revenue Bonds. See **Water System - Facilities and Operations and Future Financings**.

As of December 31, 2021, Water System accounts totaling \$11.0 million were delinquent for more than 30 days, \$9.9 million of which were delinquent for more than 90 days. The Water System collection rate for Fiscal Year 2021 was 97.3%.

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Operating Results

The following summarizes operating results of the Water System in recent Fiscal Years, presented in accordance with generally accepted accounting principles as applicable to governments.

	<u>(in thousands of dollars)</u>				
	2017	2018	2019	2020	2021
Operating revenues:					
Charges for services	\$ 79,468	\$ 80,270	\$ 78,646	\$ 81,801	\$ 84,017
Other revenue	0	0	2	74	2
Total operating revenues	\$ 79,468	\$ 80,270	78,648	81,875	84,019
Operating expenses:					
Personnel services	\$ 15,913	\$ 15,006	\$ 17,544	\$ 17,516	\$ 7,340
Contractual services	12,298	15,444	16,756	18,411	17,813
Materials and supplies	8,470	8,322	8,023	6,400	6,485
Utilities	2,915	3,581	2,671	2,812	3,127
Depreciation	4,970	5,581	5,466	7,188	7,052
Total operating expenses	\$ 44,566	\$ 47,934	50,460	52,327	41,817
Operating income (loss)	\$ 34,902	\$ 32,336	\$ 28,188	\$ 29,548	\$ 42,202
Nonoperating revenues (expenses):					
Investment earnings	\$ 2,602	\$ 3,976	\$ 4,695	\$ 2,087	\$ 2,192
(Decrease) in fair value of investments	0	0	0	0	(2,925)
Interest expense and fiscal charges	(15,446)	(15,239)	(13,615)	(15,306)	(15,662)
Gain (loss) on disposal of capital assets	0	(90)	10	10	40
Total nonoperating revenues (expenses)	\$ (12,844)	\$ (11,353)	\$ (8,910)	\$ (13,209)	\$ (16,355)
Income before operating transfers and contributions	\$ 22,058	\$ 20,983	\$ 19,278	\$ 16,339	\$ 25,847
Net Operating transfers in (out)	2,601	75	2,428	45	2,505
Change in net position	<u>\$ 24,659</u>	<u>\$ 21,058</u>	<u>\$ 21,706</u>	<u>\$ 16,384</u>	<u>\$ 28,352</u>
Net Position, beginning of year	<u>\$181,256(a)</u>	<u>\$197,815(b)</u>	<u>\$218,873</u>	<u>\$240,579</u>	<u>\$256,963</u>
Net Position, end of year	\$205,915	\$218,873	\$240,579	\$256,963	\$285,315

- (a) The City restated this Net Position to reflect post-audit adjustments for an understatement of a grant amount and the revaluation and net accumulated depreciation related to certain capital assets of the Water System.
- (b) A restatement of the Net Position was required to (i) reflect the City's implementation of GASB Statement No. 75 relating to the reporting of the City's net liability for post-employment benefits other than pensions and (ii) properly state capital asset balances and capital lease obligations to correct for errors reported in the prior year.

Outstanding Water System Revenue Bonds and Other Obligations

As of December 31, 2021, the City had outstanding an aggregate principal amount of \$380,300,000 of Water Revenue Bonds issued to pay costs of improvements to the treatment and distribution facilities of the Water System. All of the Water Revenue Bonds are special obligations that have been secured by a pledge of and a lien on certain funds and net revenues of the Water System, all as provided in the trust indenture securing the Water Revenue Bonds. All debt service payments on the Water Revenue Bonds are to be made from Water System revenues after payment of operating and maintenance expenses of the Water System. The City's remaining annual debt service requirements on the Water Revenue Bonds outstanding on December 31, 2021, were as follows:

Year	Debt Service(a)	Year	Debt Service
2022(b)	\$28,140,031	2033	\$30,070,038
2023	61,334,881(c)	2034	30,141,650
2024	27,764,281	2035	30,210,350
2025	28,944,581	2036	30,271,900
2026	28,208,981	2037	30,243,750
2027	29,323,281	2038	30,414,750
2028	29,548,181	2039	11,257,750
2029	29,655,244	2040	11,330,500
2030	29,766,156	2041	11,346,000
2031	29,883,763	2042	6,630,750
2032	29,125,338		

- (a) On August 25, 2022, the City issued its \$157,425,000 Taxable Water System Refunding Revenue Bonds, Series 2022, the proceeds of which were used to defease the outstanding principal balance of the City's Series 2013 Water Revenue Bonds. See **City Debt and Other Long-Term Obligations – Future Finances – Water System Improvements**.
- (b) This amount includes \$8,438,962.15 of interest that was paid on May 15, 2022.
- (c) This amount assumes that the Series 2018 Water Revenue Bonds are not remarketed or refunded, but instead are paid in full on their maturity date. See the discussion in the immediately following paragraph.

The Series 2018 Water Revenue Bonds are “interim indebtedness”, being short term obligations issued in anticipation of other Water Revenue Bonds estimated to mature over a period of 30 years. The estimated average annual debt service on the anticipated bonds is approximately \$1,700,000. The Series 2018 Water Revenue Bonds were issued under the trust indenture securing all of the Water Revenue Bonds and were privately placed with a national bank having offices in the City.

As of December 31, 2021, the City had an aggregate of \$164,338,080 of outstanding loans from OWDA (in the principal amount of \$162,941,655 and OPWC in the principal amount of \$1,396,425) payable from revenues of the Water System after provision for costs of operating and maintaining the Water System and the payment of debt service on the Water Revenue Bonds has been made. See **Long-Term Financial Obligations Other than Bonds and Notes – Ohio Water Development Authority Loans and – Ohio Public Works Commission Issue 2 Loans and Future Financings**.

As discussed above, in 2015, the City also obtained \$6.597 million of loans from the Ohio EPA, administered by OWDA. In 2018, the City obtained a third loan in the initial amount of \$44.77 million from the Ohio EPA Those loans are payable from revenues of the Water System after provision for costs of operating and maintaining the Water System and the payment of debt service on the Water Revenue Bonds has been made. See **Water System – Facilities and Operations and Long-Term Financial Obligations Other than Bonds and Notes – Ohio EPA Loans**.

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The following provides summary information concerning Water System revenues and expenses in recent Fiscal Years, presented on an accrual basis, together with certain information as to net revenues available for debt service on the Water Revenue Bonds and the debt service coverage ratio on the Water Revenue Bonds:

	(dollar amounts shown in thousands of dollars)				
	2017	2018	2019	2020	2021
Operating Revenues	\$79,468	\$80,270	\$78,648	\$81,875	\$84,019
Nonoperating Revenues ^(a)	2,602	3,976	4,695	2,087	2,192
Total Revenues	\$82,070	\$84,246	\$83,343	\$83,962	\$86,211
Total Operating Expenses (net of depreciation)	\$39,596	\$42,353	\$44,994	\$45,139	\$34,765
Net Revenues available for Debt Service	\$42,474	\$41,893	\$38,349	\$38,823	\$51,446
Total Debt Service on Bonds	\$23,063	\$23,433	\$24,233	\$23,430	\$27,784
Debt Service Coverage Ratio on Outstanding Bonds	1.84	1.79	1.58	1.66	1.85

(a) Consistently with indenture provisions, these amounts exclude nonoperating revenues that are proceeds from the sale of capital assets, which proceeds are excluded in determining the Debt Service Coverage Ratio and compliance with the City's rate covenant.

Sewer System

Facilities and Operations

The City owns and operates a sanitary sewage collection and treatment system (the Sewer System) as a self-supporting enterprise that in 2021 collected and treated approximately 59.6 million gallons of wastewater per day generated by residential, commercial, institutional and industrial users. Wastewater is collected by 1,061 miles of local and interceptor sanitary sewers owned by the City. The local sewers serving 74% of the City's sewer area carry only sanitary sewage, while the remaining 26% of the City's sewer area is served by combined local sewers that carry sanitary sewage and, in wet weather, storm water. The local sewers flow into interceptor sewers that carry the wastewater to the City's Bay View Wastewater Treatment Plant (WWTP) for treatment. The WWTP is unusual in that it includes a traditional plant providing secondary treatment and a wet weather treatment facility (WWTF) providing the equivalent of primary treatment. The WWTP is a 130 million gallon per day (MGD) activated sludge plant, utilizing a biological process that provides nitrification and chemical phosphorous removal. The WWTP is designed with a firm capacity to provide full treatment to up to 195 MGD. In addition, the WWTF has a firm capacity to treat up to 205 MGD of storm water flows through a chemical high rate clarification process. This brings the total treatment capacity of the WWTP and the WWTF to 400 MGD. The WWTF is utilized once flows exceed the design parameters of the traditional WWTP. Treated effluent is discharged from the WWTP to the Maumee River, and the residual sludge is removed by truck and used or sold as a soil enrichment substance to enhance the quality of topsoil or as fill for land reclamation projects or deposited in a landfill. The estimated replacement cost of the Sewer System is \$2.5 billion.

The City believes its Sewer System collection and treatment facilities have been appropriately maintained and, while requiring the ongoing repairs, replacements and improvements commonly needed for sewer system facilities as they age, are in satisfactory operating condition. The City maintains reserves to pay portions of the cost of replacing portions of the Sewer System as necessary and of constructing certain extensions and improvements. As of December 31, 2021, the accrual-basis balance of the City's fund for Sewer System replacements amounted to \$24.1 million, including an emergency reserve of \$21.0 million and the accrual-basis balance of the City's fund for improvements and extensions amounted to \$0.1

million. The City has spent an average of approximately \$37 million for replacements, extensions and improvements for the Sewer System annually over the past 10 years, and expects to spend up to \$6.9 million (including loan and bond funds) for those purposes in 2022.

On September 1, 2016, the Ohio EPA issued the City’s current National Pollutant Discharge Elimination System (NPDES) permit to operate the WWTP and WWTF. The permit requires certain reports, tests, and studies regarding combined sewer overflows and treatment plant bypasses to identify future corrective actions that may be needed.

From 1991 until 2002, the City was involved in litigation in which the United States and the State sought injunctive relief and civil penalties against the City under the Clean Water Act for alleged discharges of pollutants from the WWTP in violation of permit limitations. In 2002, the parties entered into a consent decree (Consent Decree) providing a comprehensive settlement that involved the City’s payment of certain civil penalties and undertaking of certain major capital projects and remedial actions. Under the terms of that Consent Decree, as amended in 2010, the City was required to (i) pay a \$500,000 fine, (ii) construct supplemental environmental projects (i.e., improvements to an existing wetland and remediation of a closed landfill, both of which are located in the City) at a combined cost of approximately \$1 million, (iii) make improvements to the WWTP and sanitary sewerage system to eliminate known sanitary sewer discharges and (iv) make improvements to eliminate or reduce combined sewer overflows.

Since 2003, the City has spent approximately \$681.1 million on capital improvement and replacement projects, including Consent Decree projects, for the Sewer System and expects to spend up to \$14.3 million on additional projects in the years 2022 and 2023. Consent Decree projects were funded with approximately \$25.5 million of State and federal grants, \$397.1 million of OWDA and OPWC loans (see **Long-Term Financial Obligations Other than Bonds and Notes** and **Appendix B**) and \$104.4 million out of the Sewer System’s reserves. The Consent Decree projects have been completed; however, there may be some minor project adjustments over the next several months. In September 2022, in a conference call with Judge James G. Carr of the U.S. District Court for the Northern District of Ohio and representatives of Ohio EPA, the City was informed that the City has satisfied all requirements set forth in the Consent Decree.

Service Area and Users

The Sewer System collects and treats wastewater flows from approximately 99,000 residential, commercial/institutional and industrial users in the City, and approximately 6,200 users outside the City. It is the sole provider of such service in the City and serves an estimated 270,000 persons.

The user volume by each category of users for the years 2017 through 2021 was as follows:

Category	User Volume (in thousands of cubic feet)				
	2017	2018	2019	2020	2021
Residential	659,807	651,433	685,057	607,804	589,445
Commercial	317,680	267,214	270,770	260,064	240,210
Industrial	249,254	220,805	276,036	342,649	318,508
Governmental	109,249	92,432	111,603	13,509	13,648
Total	1,335,990	1,231,884	1,343,466	1,224,026	1,161,811

Sewer Rates

The City’s sewer user rates are set so as to provide sufficient funds for operating, maintaining and providing replacements and improvements for the Sewer System and for debt service requirements on outstanding Sewer System revenue bonds and on loans from the OWDA and the OPWC for Sewer System improvements.

The Council has authority to increase sewer rates as may be necessary for those purposes. Current sewer rates are expected to generate approximately \$91.5 million in charges for services in Fiscal

Year 2022. The City's sewer rates have two components. Fixed rates are imposed on individual users based on their water meter size, whether they are industrial or nonindustrial users and whether they are located within or outside the corporate limits of the City. Additional sewer volume charges based on water consumption are also imposed.

In 2014, the Council enacted an ordinance providing for 7.1% rate increases effective on January 1 in each year from 2015 through 2019, and a 7.9% increase effective January 1, 2020. For illustrative purposes, regular users (based on a nonindustrial user with a five-inch meter that is located inside the corporate limits of the City), the increases raised normal quarterly fixed charges to \$41.35 for 2020 and added a Consent Decree fixed charge of \$24.05, bringing a total fixed charge of \$65.40 per quarter for regular users and sewer volume charges for regular users using 3,000 cubic feet of water (based on the standard of usage set by the American Waterworks Association and the Ohio EPA) are currently \$166.71 per quarter. Those increases were required, in part, to pay costs of the scheduled capital improvement projects and related debt service. See **Sewer System – Facilities and Operations**.

Single service residential customers in the City who are 65 years of age or older or permanently disabled, as established by the Lucas County Homestead Exemption Program, receive a 25% discount for the first 2,000 cubic feet of metered water they are furnished per quarter.

The City has established an Industrial Pretreatment Program under which industrial customers pay a surcharge for discharges to the Sewer System exceeding defined levels. As of January 1, 2022, a total of 29 users of the Sewer System were being assessed that surcharge. The City anticipates that the surcharges will produce approximately \$1.5 million in additional annual revenue for the next five years.

As of December 31, 2021, Sewer System accounts totaling \$20.1 million were delinquent for more than 30 days, \$18.0 million of which were delinquent for more than 90 days. The Sewer System's collection rate for Fiscal Year 2021 was 96.4%.

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Operating Results

The following summarizes operating results of the Sewer System in recent Fiscal Years, presented in accordance with generally accepted accounting principles as applicable to governments.

	2017	2018	2019	2020	2021
Operating revenues:					
Charges for services	\$ 77,559	\$ 81,860	\$ 87,765	\$ 91,487	\$ 90,486
Other revenue	150	94	125	195	192
Total operating revenues	\$ 77,709	\$ 81,954	\$ 87,890	\$ 91,682	\$ 90,678
Operating expenses:					
Personnel services	\$ 18,375	\$ 18,067	\$ 19,500	\$ 17,078	\$ 6,644
Contractual services	8,206	12,124	12,300	17,477	12,729
Materials and supplies	2,528	2,382	2,929	2,236	3,513
Utilities	3,697	3,915	3,374	3,165	3,369
Depreciation	15,102	15,999	15,384	17,094	17,261
Total operating expenses	\$ 47,908	\$ 52,487	\$ 53,487	\$ 57,050	\$ 43,516
Operating income (loss)	\$ 29,801	\$ 29,467	\$ 34,403	\$ 34,632	\$ 47,162
Nonoperating revenues (expenses):					
Interest revenue	\$ 367	\$ 1,084	\$ 1,608	\$ 1,131	\$ 979
(Decrease) in fair value of investments	0	0	0	0	(1,145)
Interest expense and fiscal charges	(9,930)	(12,829)	(10,532)	(12,034)	(12,688)
Gain (loss) on disposal of capital assets	0	117	(23)	25	68
Total nonoperating revenues (expenses)	\$ (9,563)	\$ (11,628)	\$ (8,947)	\$ (10,878)	\$ (12,786)
Income before transfers and contributions	\$ 20,238	\$ 17,839	\$ 25,456	\$ 23,754	\$ 34,376
Capital contributions	\$ 1,006	\$ 1,611	\$ 1,151	\$ 449	\$ 477
Net transfers in (out)	2,606	(30)	2,801	(75)	2,692
Change in net position	\$ 23,850	\$ 19,420	\$ 29,408	\$ 24,128	\$ 37,545
Net Position, beginning of year	\$299,191(a)	\$311,868(b)	\$331,288	\$360,696	\$384,824
GASB Statement No. 68 Adjustment	N/A	N/A	N/A	N/A	N/A
Net Position, end of year	<u>\$323,041(b)</u>	<u>\$331,288</u>	<u>\$360,696</u>	<u>\$384,824</u>	<u>\$422,369</u>

- (a) The City restated this Net Position to reflect a post-audit adjustment to the valuation and net accumulated depreciation related to certain capital assets of the Sewer System.
- (b) A restatement of the Net Position was required to (i) reflect the City's implementation of GASB Statement No. 75 relating to the reporting of the City's net liability for post-employment benefits other than pensions and (ii) properly state capital asset balances and capital lease obligations to correct for errors reported in the prior year. See the Notes to the Basic Financial Statements in **Appendix B** for details.

Outstanding Sewer Revenue Bonds and Other Obligations

As of December 31, 2021, the City had outstanding an aggregate principal amount of \$7,220,000 of Sewer System revenue bonds (the Sewer Revenue Bonds), issued to pay costs of improvements to the collection and treatment facilities of the Sewer System. The Sewer Revenue Bonds are special obligations that have been secured by a pledge of and a lien on certain funds and net revenues of the Sewer System, all as provided in the trust indenture securing the Sewer Revenue Bonds. All debt service payments on the Sewer Revenue Bonds are to be made from Sewer System revenues after payment of operating and maintenance expenses of the Sewer System. The City's remaining annual debt service requirements on the Sewer Revenue Bonds outstanding on December 31, 2021, were as follows:

Year	Debt Service	Year	Debt Service
2022 ^(a)	\$1,365,676	2026	\$1,186,250
2023	1,319,988	2027	1,179,750
2024	1,308,043	2028	1,071,000
2025	1,185,250		

(a) This amount includes \$170,338.13 of interest that was paid on May 15, 2022.

As of December 31, 2021, the City had an aggregate of \$376,759,693 of outstanding loans from OWDA (in the principal amount of \$368,461,409) and OPWC (in the principal amount of \$8,298,284) (the OWDA and OPWC Loans) payable from revenues of the Sewer System after provision for costs of operating and maintaining the Sewer System and for the payment of debt service on the Sewer Revenue Bonds has been made. See also **Long-Term Financial Obligations Other than Bonds and Notes – Ohio Water Development Authority Loans** and **– Ohio Public Works Commission Issue 2 Loans and Future Financings**.

The following provides summary information concerning Sewer System revenues and expenses in recent Fiscal Years, presented on an accrual basis, together with certain information as to net revenues available for debt service on the Sewer Revenue Bonds and other Sewer System obligations and the debt service coverage ratio for the Sewer Revenue Bonds.

	2017	2018	2019	2020	2021
Operating Revenues	\$77,709	\$81,954	\$87,765	\$91,487	\$90,486
Nonoperating Revenues ^(a)	367	1,084	125	195	192
Total Revenues	\$78,076	\$83,038	\$87,890	\$91,682	\$90,678
Total Operating Expenses (exclusive of depreciation)	\$32,806	\$36,488	\$38,103	\$39,956	\$26,255
Net Revenues	\$45,270	\$46,550	\$49,787	\$51,726	\$64,423
Total Debt Service on Bonds	\$ 3,548	\$ 1,307	\$ 1,365	\$ 1,968	\$ 1,416
Debt Service Coverage Ratio on Outstanding Bonds	12.76	35.62	36.47	26.28	45.50
Net Revenues Available for Other Sewer System Obligations	\$41,722	\$45,243	\$48,422	\$49,758	\$63,007
Repayment of OWDA and OPWC Loans	\$20,782	\$19,524	\$22,089	\$25,812	\$29,684

(a) Consistently with indenture provisions, these amounts exclude nonoperating revenues that are proceeds from the sale of capital assets, which proceeds are excluded in determining the Debt Service Coverage Ratio and compliance with the City's rate covenant.

Storm Water Management System

In 2000, the City began charging residents and businesses a monthly fee for the City's storm water collection, detention and management system (the Storm Water Management System) that was established in 1999. The current monthly fee for single-family residences, enacted by the Council by ordinance in 2008, is \$3.80. Commercial, industrial and other users pay greater fees based upon the amount of impermeable surface on their properties. The proceeds from the fee are deposited in a separate storm water management system fund and used for the operation, maintenance and improvement of the Storm Water Management System and related debt service.

The following summarizes operating results of the Storm Water Management System in recent Fiscal Years, presented in accordance with generally accepted accounting principles as applicable to governments.

	(in thousands of dollars)				
	2017	2018	2019	2020	2021
Operating revenues:					
Charges for services	\$10,102	\$ 9,818	\$ 10,086	\$ 9,349	\$ 8,901
Other revenue	13	13	13	12	13
Total operating revenues	\$10,115	\$ 9,831	\$ 10,099	\$ 9,361	\$ 8,914
Operating expenses:					
Personal services	\$ 4,249	\$ 4,669	\$ 5,020	\$ 4,470	\$ 1,198
Contractual services	1,885	1,790	2,368	1,774	2,028
Materials and supplies	502	280	252	238	283
Depreciation and amortization	1,002	1,127	1,235	1,297	1,086
Total operating expenses	\$ 7,638	\$ 7,866	\$ 8,875	\$ 7,779	\$ 4,595
Operating income (loss)	\$ 2,477	\$ 1,965	\$ 1,224	\$ 1,582	\$ 4,319
Nonoperating revenues (expenses):					
Investment Earnings	\$ 138	\$ 455	\$ 811	\$ 711	\$ 731
(Decrease) in fair value of investments	0	0	0	0	(850)
Interest expense and fiscal charges	(60)	(58)	(55)	(47)	(85)
Gain (loss) on disposal of capital assets	0	0	(5)	0	0
Total nonoperating revenues (expenses)	\$ 78	\$ 397	\$ 751	\$ 664	\$ (204)
Income (loss) before Transfers and Contributions	\$ 2,555	\$ 2,362	\$ 1,975	\$ 2,246	\$ 4,115
Capital Contributions	172	77	557	204	26
Net Operating transfers in (out)	271	(75)	258	(75)	225
Change in Net Position	\$ 2,998	\$ 2,364	\$ 2,790	\$ 2,375	\$ 4,366
Net Position, beginning of year	\$60,786(a)	\$62,301(b)	\$64,665	\$67,455	\$69,830
GASB Statement No. 68 Adjustment	N/A	N/A	N/A	N/A	N/A
Net Position, end of year	\$ 63,784	\$ 64,665	\$67,455	\$69,830	\$74,196

(a) A net position adjustment was required to properly state the balance of capital assets at December 31, 2016.

(b) A net position restatement was required to (i) reflect the City's implementation of GASB Statement No. 75 relating to the reporting of post-employment benefits other than pensions and (ii) properly state capital asset balances and capital lease obligations to correct for errors reported in the prior year.

The City has spent an average of approximately \$2.3 million annually for replacements and improvements for the Storm Water Management System over the past five Fiscal Years, and expects to spend approximately \$2.0 million for those purposes in Fiscal Year 2022.

Over the past five Fiscal Years, additional improvements to the Storm Water Management System have been funded with the proceeds of State loans and grants, through OWDA and OPWC, in the amount of \$1.85 million.

The City has (and as of December 31, 2021, had) an aggregate of \$2,285,993 of outstanding loans from OWDA (in the principal amount of \$1,370,276) and OPWC (in the principal amount of \$915,717).

Other Utilities

Natural Gas; Electricity; Telephone

Energy supplies in the City have been stable during the past decade. Electricity is supplied in the City primarily by the Toledo Edison Company, a subsidiary of FirstEnergy Corp. The primary supplier of natural gas is Columbia Gas of Ohio, Inc. Those suppliers have experienced no difficulty in meeting customer demand and have allowed and are allowing new connections for residential, commercial and industrial customers.

In 2006, the Council passed legislation to create a municipal electric utility and declare the Council's intention to seek opportunities to provide municipally generated electric power to its citizens and customers on the open market. Since 2012, that municipal electric utility has been operated to serve a single customer, the metals recycler OmniSource Corp., which agreed to purchase six megawatts of power from the utility annually. The City's utility purchases electricity wholesale from American Municipal Power-Ohio, a nonprofit municipal utilities group, to serve that customer. The City does not plan to build a grid, or to serve residential customers, but does plan to add small- and medium-sized commercial and industrial customers.

Local telephone and internet service is provided by SBC Communications, GTE and cellular and cable telephone and data service providers.

Solid Waste Collection and Disposal

The City owns and operates the Hoffman Road Landfill, a 262-acre facility located in the City. The City now estimates that the Hoffman Road Landfill has 80.0 years of remaining operating capacity based on current levels of use.

Residential solid waste and recycling collection services in the City are the responsibility of the Lucas County Solid Waste Management District (LCSWMD). The LCSWMD has contracted with a private operator to provide those services, which were formerly provided by the City. LCSWMD bills the City for those services, and the City bills and collects fees covering a portion of the costs, with the balance being subsidized with appropriations from the City's General Fund.

Under State law, solid waste management planning for the City and the County is undertaken by the Board of Trustees of the LCSWMD.

FINANCIAL MATTERS

Introduction

The City's Fiscal Year corresponds with the calendar year.

The main sources of City revenue have been and are income and property taxes, municipal utility user charges, and State distributions as described below.

The responsibilities for the major financial functions of the City are divided among the Director of Finance, the City Auditor, the Mayor and the Council.

The Director of Finance is the City's fiscal and chief accounting officer, and is responsible for the debt and cash management functions of the City, overseeing preparation of City budgets and the supervision of the following divisions and offices:

Division of Taxation – This Division is responsible for budgeting and collection of City income taxes and other revenues. The Commissioner of Taxation, who reports to the Director of Finance, manages these functions.

Division of Treasury – This Division is responsible for licensing, special assessments and the investment of City moneys. The Commissioner of Treasury, who reports to the Director of Finance, manages these functions.

Division of Accounts – This Division is responsible for all accounting for financial transactions involving local, State and federal funds. The Commissioner of Accounting, who manages these functions, reports to the Director of Finance.

Division of Purchasing – This Division is responsible for overseeing the City’s letting of contracts for construction projects and the procurement of materials, supplies and services, including applicable competitive bidding or proposal requirements, the initiation and flow of all City contract documents and the encumbrance of funds through the generation of purchase orders. It also operates the City’s mailroom and print shop and maintains records with respect to City contracts. The Commissioner of Purchasing, who manages all of these functions, reports to the Director of Finance.

Office of Budget Management – This Office is responsible for developing, implementing and monitoring the operating budgets of the City. The Commissioner of Administrative Services, who manages these functions and maintains the City’s position control schedules, reports to the Director of Finance.

Division of Debt and Capital Program Financing – This Division is responsible for structuring, paying, reconciling and monitoring all debts of the City as well as preparing and monitoring the City’s Capital Improvement Budget. The City’s Commissioner of Debt Management and Capital Improvement Programs manages these functions and reports to the Director of Finance. See **City Government**.

The City Auditor is primarily responsible for internal financial and operational audits of all departments, divisions, boards, commissions and other agencies of the City government.

The major policy and planning functions with respect to City financial affairs are under the direction of the Mayor. The Council must approve all budgets and appropriations of moneys. For property taxation purposes, assessment of real property is by the County Auditor subject to supervision by the State Tax Commissioner, and assessment of public utility property is by the State Tax Commissioner. Property taxes and special assessments are billed and collected by County officials.

Budgeting, Tax Levy and Appropriations Procedures

Detailed provisions for budgeting, tax levies and appropriations are made in the Revised Code. These include a review by county officials at several steps, and a requirement that the subdivision levy a property tax in an amount sufficient, with any other moneys available for the purpose, to pay the debt service on securities payable from property taxes.

The law requires generally that a subdivision prepare, and then adopt after a public hearing, a tax budget approximately six months before the start of the next fiscal year. The tax budget then is presented for review by the county budget commission, comprised of the county auditor, treasurer and prosecuting attorney. However, a county budget commission may waive the requirement for a tax budget and require more limited information. In 2001, the Lucas County Budget Commission voted to waive the requirement for a tax budget for the subdivisions in the County for future Fiscal Years and has since required that alternate tax budget information be provided by the City and those other subdivisions.

Under the current requirements, City budgeting for each Fiscal Year formally begins in the prior July with the preparation and submission to the County Budget Commission of tax budget information. For debt service, the information is to include the net amounts of debt service payable during that Fiscal Year for which property tax levies must be made (after application of estimated receipts from other sources) and the portions of those levies to be inside and outside the ten-mill limitation. That tax budget information is then reviewed by the County Budget Commission.

As part of that review, the County Budget Commission is to determine and approve levies for debt service outside and inside the ten-mill limitation. The Revised Code provides that “if any debt charge is omitted from the budget, the commission shall include it therein.”

The County Budget Commission then certifies to the City its action together with the estimate by the County Auditor of the tax rates outside and inside the ten-mill limitation. Thereafter, the Council is to approve the tax levies and certify them to the proper County officials. The approved and certified tax rates are then to be reflected in the tax bills sent to property owners for collection in the following calendar year. Real property taxes are payable in two equal installments, the first usually in January and the second in July.

The Council adopts a temporary appropriation measure before January 1 of each Fiscal Year, and then, by March 31, a permanent appropriation measure for that Fiscal Year. Although called “permanent,” the annual appropriation measure may be, and often is, amended during the Fiscal Year. Annual appropriations may not exceed the County Budget Commission’s official estimates of resources, and the County Auditor must certify that the City’s appropriation measures do not appropriate moneys in excess of the amounts set forth in those estimates. No money of the City is to be expended unless first appropriated by the Council. The Director of Finance is not to allow the amount set aside for any appropriation to be overdrawn or the amount appropriated for any one item of expense to be drawn upon for any other purpose.

Financial Reports and Audits

The City maintains its accounts, appropriations and other fiscal records in accordance with the procedures established and prescribed by the Auditor of State (the State Auditor). The State Auditor is charged by law with the responsibility of inspecting and supervising the accounts and records of each taxing subdivision and most public agencies and institutions.

The City’s accounting policies and financial reporting practices conform to generally accepted accounting principles as applicable to governments, including, among others, those recommended by the Governmental Accounting Standards Board (GASB) from time to time. Those principles, among other things, provide for a modified accrual basis of accounting for governmental funds (which include the general fund, all special revenue funds, debt service funds and capital project funds) and expendable trust funds, and for a full accrual basis of accounting for all other funds (other than agency funds), and for the preparation for each fund of balance sheets, statements of revenues and expenditures, and statements showing changes in fund balances. They also provide for a recognition of assets and liabilities of agency funds on a modified accrual basis of accounting. The significant City accounting policies are disclosed in the notes to basic financial statements in each City Annual Comprehensive Financial Report. See the Notes to the City’s audited Basic Financial Statements for Fiscal Year 2021 attached as **Appendix B**.

The City has issued an Annual Comprehensive Financial Report (Annual Report), including General Purpose Financial Statements (GPFS), for each of the years from 1982 through 2001 and Basic Financial Statements for each of the years from 2002 through 2021. These Annual Reports are to be filed with the State Auditor within 150 days after the close of each Fiscal Year, unless the State Auditor grants an extension. The City also prepares annually a Schedule of Federal Assistance under federal program requirements. The City will provide on request copies of its Annual Report for Fiscal Year 2021 and has caused that Annual Report to be made available on the website of the State Auditor (www.auditor.state.oh.us). Requests may be made by writing to the office of the Director of Finance, Attention: Accounts Division, One Government Center, Suite 2050, Toledo, Ohio 43604-2293.

The City actively participates in the Government Finance Officers Association (GFOA) Certificate of Achievement Program. The Certificate of Achievement for Excellence in Financial Reporting is awarded by the GFOA’s Special Review Committee to those governmental reporting agencies that comply with the reporting standards of the GFOA. The City has routinely received that Certificate for its Annual Reports, including most recently its Annual Report for Fiscal Year 2020. The City has submitted its Annual Report for 2021 to the GFOA for consideration for such a Certificate.

The Ohio Auditor of State (the State Auditor) performed the annual audit for Fiscal Years 2017 through 2019, and issued an unqualified independent auditor's report on the City's Basic Financial Statements for each of those Fiscal Years, as well as reports on internal controls and compliance. In 2020, the State Auditor authorized the City to contract with independent public accounting firms for its annual audits. The City has engaged Clark, Schaefer, Hackett & Co. to perform the annual audit for Fiscal Year 2021.

The most recent audit (including compliance audit) of the City's accounts was completed by Clark, Schaefer, Hackett & Co. for Fiscal Year 2021. The City's audited Basic Financial Statements for Fiscal Year 2021 are attached as **Appendix B** and are a part of this Annual Statement. Clark, Schaefer, Hackett & Co. issued an unqualified independent auditor's report on those Basic Financial Statements, as well as reports on internal controls and compliance. No findings for recovery or citations were made in Clark, Schaefer, Hackett & Co.'s reports on compliance. However, in their report on internal controls and compliance, Clark, Schaefer, Hackett & Co. identified that the City had improperly applied payroll and benefits expenditures to a United States Department of Housing and Urban Development CDBG Entitlement Grants Program. Clark, Schaefer, Hackett & Co. noted that the City's Department of Neighborhoods had a number of employees working remotely during 2021, resulting in deterioration of controls over time and effort documentation. See the Schedule of Findings and Questioned Costs and Finding Number 2021-001 – Allowable Costs in **Appendix B**. The City has initiated a corrective action plan to address all such items, see the City's Corrective Action Plan set forth in **Appendix B**.

In accordance with its Continuing Disclosure Agreements, the City's audited Basic Financial Statements for Fiscal Year 2021 were filed with the NRMSIR (the Municipal Securities Rulemaking Board (MSRB) and the SID (OMAC) in an electronic format prescribed by the MSRB using the MSRB's Electronic Municipal Market Access (EMMA) platform on August 30, 2022 (within ten (10) business days after they were made available by the State Auditor at the internet address of the State Auditor, currently <http://www.auditor.state.oh.us>).

Appendix A to this Annual Statement contains a comparative modified accrual basis summary of actual General Fund revenues, expenditures and balances for the last five Fiscal Years and budgeted for Fiscal Year 2021.

Investment and Management of City Funds

Deposits and investments of City funds are governed by the Charter and Chapter 192 of the Toledo Municipal Code, enacted in 1986 and last amended in 2013 (the Investment Policy Ordinance). Under the Investment Policy Ordinance, the Director of Finance has general responsibility for carrying out the banking and investment policies of the City, and the Commissioner of Treasury has the day-to-day responsibility for investing and depositing City funds as they become available. Under the Investment Policy Ordinance and current practices, investments are made in (i) direct obligations of the United States, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, Fannie Mae, and the Federal Farm Credit Banks, (ii) certificates of deposit with banking institutions having an office in the State, and demand deposits with banking institutions having an office in the City, which in each case meet City requirements relating to size, credit rating and collateralization of City deposits, (iii) federally insured certificates of deposit initiated through a reciprocal network of banks or savings and loan associations that are members of the Federal Deposit Insurance Corporation, (iv) securities of other political subdivisions meeting certain rating requirements, (v) the State Treasurer's subdivision investment pool (STAR Ohio) created pursuant to Section 135.45 of the Revised Code, (vi) federally insured certificates of deposit with banks that are members of the Federal Deposit Insurance Corporation initiated through the State Treasurer's STAR Plus Program and (vii) general obligation bond anticipation notes of the City. The Investment Policy Ordinance also provides specific requirements for diversification of investments.

As of December 31, 2021, the City's total portfolio of deposits and investments was approximately \$604.4 million. The average maturity of investments in the portfolio was approximately 2.0 years, with approximately 25.0% of those investments having a maturity of one year or less and 53.3% having a maturity of one to three years and 21.7% having a maturity of four to five years. None of the deposits or investments have a maturity of greater than five years. That average maturity and allocation will necessarily change from time to time as City funds are received, invested and reinvested.

General Fund and Financial Outlook

The City's General Fund is its main operating fund, the fund from which most expenditures for public service, public safety, health, parks and recreation, community environment and general government functions are made. The General Fund receives revenues from many sources, but primarily from the City's municipal income tax, ad valorem property taxes levied by the City, charges for services and certain other nontax revenues, and local governmental assistance and casino tax distributions from the State.

As required by the Charter, the City administration submitted a proposed operating budget for Fiscal Year 2022 to the City Council in November 2021. The City administration's practice in recent years has been to budget its revenues and expenditures conservatively. As permitted by State law, the City Council approved a preliminary budget measure prior to January 1 and a full annual operating budget on March 1, 2022. On September 3, 2022, the Council approved an amended budget reflecting revised projections of revenues based on information available to that date. The information shown in this Annual Statement as "budgeted" is that contained in the amended budget.

The City's amended budget for Fiscal Year 2022 contemplates that its aggregate General Fund revenues and transfers in and other financing sources will be approximately \$37.2 million less than its aggregate General Fund expenditures and transfers out and other financing uses in Fiscal Year 2021. For detailed information concerning historical (and currently budgeted Fiscal Year 2022) General Fund revenues, expenditures and beginning and year-end balances, see **Certain Major General Fund Revenue Sources, Ad Valorem Property Taxes and Appendices A and B**.

Revenues from the City's income tax increased to \$191.4 million in Fiscal Year 2021, compared to \$181.7 million in Fiscal Year 2020, \$189.4 million in Fiscal Year 2019, \$183.6 million in Fiscal Year 2018 and \$176.4 million in Fiscal Year 2017, with the increase being due, in large part, to the beginning of recovery of the local economy from the COVID-19 pandemic. See **COVID-19 Pandemic**. The City is currently projecting that its revenues from this source (excluding those from the City's new ¼% municipal income tax for roads, streets and bridges – see the discussion of that new tax below and under **Municipal Income Tax**) will be \$ 215.0 million in Fiscal Year 2022, with the increase being due, in large part, to the continuing recovery from the COVID-19 Pandemic.

The City's revenues from its property tax levy (including payments made from State revenue sources under two statewide real property tax relief programs – the Homestead Exemption and the Property Tax Rollback Exemption) in Fiscal Year 2021 were \$14.6 million and \$14.6 million in Fiscal Year 2020. The City is currently projecting that its revenues from this source will be \$14.6 million in Fiscal Year 2022. See **Assessed Valuation and Tax Table B**.

The City received \$7.3 million of local government assistance fund distributions from the State in Fiscal Year 2021 and currently projects that it will receive \$8.7 million of such distributions in Fiscal Year 2022. See **Local Government Assistance Funds**.

The City began receiving revenues from a tax on casino revenues imposed by the State in Fiscal Year 2012. Those revenues have averaged approximately \$5.7 million annually in each Fiscal Year through 2019. Revenue decreased in 2020 to \$5.7 million due in large part to the effect of the COVID-19 Pandemic. Revenue increased to \$6.9 million in Fiscal Year 2021. The City currently projects that it will receive \$6.8 million of such revenues in Fiscal Year 2022. See **Casino Tax Revenues**.

The City's aggregate General Fund revenues were \$258.8 million in Fiscal Year 2021, compared to \$248.9 million in Fiscal Year 2020, from \$267.5 million in Fiscal Year 2019, \$259.6 million in Fiscal Year 2018, and \$251.0 million in Fiscal Year 2017. See **Appendix A**.

The City's aggregate direct General Fund expenditures in Fiscal Year 2021 were \$245.7 million compared to \$197.9 million in Fiscal Year 2020, \$221.3 million in Fiscal Year 2019, \$202.9 million in Fiscal Year 2018 and \$204.6 million in Fiscal Year 2017. The decrease in expenditures in Fiscal year 2020 was due, in large part, to the use of \$25.08 million CARES Act grant funds that had been deposited into a special CARES Act Fund to pay costs originally budgeted to be paid from the General Fund. For details, see **CARES Act Resources**.

The City's audited basic financial statements show that the City ended Fiscal Year 2021 with a total General Fund balance of \$54.7 million, compared to balances of \$84.6 million at the end of Fiscal Year 2020, \$46.6 million at the end of Fiscal Year 2019, \$40.5 million at the end of Fiscal Year 2018 and \$22.2 million at the end of Fiscal Year 2017. For further information regarding those total fund balances and restrictions and reserves, see **Appendices A and B**.

The City's General Fund budget for Fiscal Year 2022 is based on operating revenues of \$282.9 million and operating expenditures of \$246.2 million. The assumptions for that budget include, among others, municipal income tax revenues of \$215.0 million (compared to \$191.4 million in Fiscal Year 2021) and State local government assistance distributions of \$8.7 million (compared to \$7.3 million in Fiscal Year 2021). For Fiscal Year 2022, the City has budgeted \$47.2 million of transfers out from the General Fund to the Capital Improvements Fund and other funds, and \$10.0 million of transfers from other funds into the General Fund.

The City administration remains committed to taking actions required to bring the City's finances into structural balance. At the request of the City administration and Council, the ordinance extending the temporary ¾% component of the City's municipal income tax approved by the voters of the City at an election on November 3, 2020 retained authority for the Council to reallocate to the General Fund up to all of the 1/3 of the revenues from that component allocated to capital improvements through December 31, 2024.

In Fiscal Year 2021, revenues from that temporary component of the City's municipal income tax amounted to approximately \$63.8 million, with approximately \$21.3 million allocated to capital improvements. The City's budget for Fiscal Year 2021 eliminated the temporary component being reallocated (transferred back) to the General Fund; the City was able to eliminate that reallocation altogether in Fiscal Years 2018 and 2017 and, effectively, in Fiscal Year 2016 (as the \$3 million transferred back to the General Fund was returned to the Capital improvements Fund in early 2017). The City's adopted budget for Fiscal Year 2022 originally provided for a reallocation to the General Fund of approximately \$18.0 million of the revenues from the portion of that component of the income tax allocated to capital improvements; that budgeted transfer back was reduced in the September 2022 budget amendment to \$8.0 million. See **Municipal Income Tax**.

The City administration and Council submitted to the electors of the City at an election on November 3, 2020, both (i) the question of an ordinance extending both the temporary ¾% component of the City income tax that was to expire on December 31, 2020, and the authority of the Council to reallocate to the General Fund up to all of the 1/3 of the revenues from that component allocated to capital improvements for a four-year period from January 1, 2021, through December 31, 2024, and (ii) the question of an ordinance authorizing an additional temporary ¼% income tax to provide funds necessary to pay costs of improving the City's system of roads, streets and bridges, including related debt charges, for the same four-year period. Voters of the City approved the passage of both such ordinances at that election; each was subsequently passed by the Council and went into effect on January 1, 2021. See **Municipal Income Tax**.

The City's near term financial outlook is positively affected by having proceeds of the additional temporary ¼% income tax available to pay costs of improving the City's system of roads, streets and bridges, including related debt charges, annually through 2024 (the City received \$19.7 million from this source in 2021 and projects receipts of \$23.7 million in 2022) and by the \$180.9 million of federal aid it received under the American Rescue Plan Act of 2021 in the years 2021 and 2022. See **American Rescue Plan Act of 2021 Resources**.

CERTAIN MAJOR GENERAL FUND REVENUE SOURCES

Major sources of revenue to the General Fund, in addition to ad valorem property taxes, have included the City's municipal income tax, certain charges for services and other nontax revenues, and State local government assistance, and casino tax revenue distributions. Information concerning ad valorem property taxes levied by the City is set forth under **Ad Valorem Property Taxes**. The Appendices provide further information regarding other revenue sources for the General Fund and other funds.

Municipal Income Tax

Ohio law authorizes a municipal income tax on both business profits and employee wages and salaries at a rate of up to 1% without, and above that rate with, voter authorization. Pursuant to an ordinance passed by Council on January 28, 1946, the City levied its first income tax at the rate of 1%, commencing March 1, 1946. That tax was subsequently approved by City voters in a referendum held on May 7, 1946. At an election in 1966, City voters authorized an increase of the tax rate to 1½%. This 1½% income tax is in effect for a continuing period of time.

In 1982, the City's electors authorized a further increase of the income tax rate from 1½% to 2¼% for a period of four years (from July 1, 1982 through June 30, 1986), which authorization has been extended through December 31, 2024, by votes of the electors of the City in 1985, 1989, 1993, 1997, 2002, 2005, 2008, 2012, 2016 and 2020. The latest extension, for a four-year period through December 31, 2024, was approved by a 59.12% majority vote at an election on November 3, 2020.

The income tax is collected and administered by the City. However, for taxable years beginning on or after January 1, 2018, taxpayers subject to a municipal net profit tax may elect to file one municipal net profit tax return that covers its total municipal net profit tax liability to all municipal corporations through the Ohio Business Gateway for processing by the Ohio Department of Taxation. The Ohio Department of Taxation provides all administrative functions for those centrally-filed returns and distributes payments to the appropriate municipalities, as well as addressing audits and appeals.

Revenues from the original 1% tax first levied in 1946 can be used for any lawful purpose of the City. One-half of the revenues from the additional ½% tax approved in 1966 is required to be used for current operating expenses of the City and the other half is required to be used for capital improvements, including debt service on general obligation bonds and bond anticipation notes of the City issued for the purpose of capital improvements. The revenues from the additional ¾% tax first approved in 1982 were originally required to be allocated as follows:

- 1/3 to Police and Fire Divisions for operations and capital expenditures
- 1/3 to capital improvements
- 1/3 to current operating expenses

Pursuant to voter approval in 2005, from January 1, 2005 through December 31, 2008, the revenues from that additional ¾% tax were allocated as follows:

- 1/3 to Police and Fire Divisions for operations and capital expenditures
- 1/6 to capital improvements
- 1/2 to current operating expenses

At subsequent elections in 2010, 2012, 2016 and 2020, the voters of the City approved ordinances providing for temporary extensions of the additional ¾% tax during periods from July 1, 2010 through December 31, 2012, from January 1, 2013 through December 31, 2016, from January 1, 2017 through December 31, 2020 and from January 1, 2021 through December 31, 2024, and for the revenues from that ¾% tax during those periods to be allocated as follows:

- 1/3 to Police and Fire Divisions for operations and capital expenditures
- 1/3 to capital improvements
- 1/3 to current operating expenses

but also extending to the Council, upon its determination of financial need and a request of the Mayor, to reallocate to the General Fund up to all of the 1/3 of the revenues from the temporary ¾% component of the City's municipal income tax allocated to capital improvements during those respective periods for use as determined by the Council.

The City administration and Council submitted to the voters of the City for their approval at an election on March 17, 2020 an ordinance providing (i) for the repeal of the existing ¾% income tax effective

July 1, 2020, (ii) for the enactment of an additional 1¼% temporary income tax for a period commencing July 1, 2020 and ending December 31, 2030, with 40% of the proceeds of that tax to be allocated to the City's Capital Improvements Fund and used to pay costs of improving City roads, residential streets, sidewalks and other public infrastructure and capital improvements and related debt service and 60% of the proceeds of that tax to be allocated to the General Fund used to provide police and fire protection and safety services, park and recreational services and other general municipal operations and to support pre-kindergarten education for residents of the City, and (iii) that no proceeds of that tax allocated to the Capital Improvements Fund may be transferred from that Fund to the General Fund. However, the voters rejected that ordinance by a margin of 55.96% to 44.03%.

The City administration and Council submitted to the voters of the City at an election on November 3, 2020 both (i) the question of an ordinance extending both the temporary ¾% component of the City income tax that was to expire on December 31, 2020 and the authority of the Council to reallocate to the General Fund up to all of the 1/3 of the revenues from that component allocated to capital improvements for a four-year period from January 1, 2021 through December 31, 2024, and (ii) the question of an ordinance authorizing an additional temporary ¼% income tax to provide funds necessary to pay costs of improving the City's system of roads, streets and bridges, including related debt charges for the same four-year period. Voters of the City approved the passage of both such ordinances by margins of 59.12% to 40.88% and 54.34% to 45.66%, respectively, and each was subsequently passed by the Council and went into effect on January 1, 2021.

The City has used portions of its income tax revenues for debt service since 1946. Currently, the City pays debt service on most of its general obligation debt from such revenues. Exceptions include debt service payments (i) on debt issued in anticipation of special assessments, (ii) from certain loan repayments, (iii) from federal interest subsidy payments, and (iv) in the case of BANs, from proceeds of renewal BANs and the bonds anticipated. See **Debt Table C**. Historically, the revenues from the portion of the continuing 1½% levy required to be used for capital improvements have been sufficient to provide for the debt service payments on all other general obligation debt of the City, and, based on the revenues from that portion of the continuing 1½% levy budgeted for Fiscal Year 2022, the City does not expect that it will be required to utilize any other income tax revenues for that purpose in that Fiscal Year.

The City's income tax rates and collections for Fiscal Years 2017 through 2021 have been, and its rate and budgeted collections for Fiscal Year 2022 are, as follows:

Fiscal Year	Amount	Rate(a)
2017	\$176,362,000	2¼%
2018	183,618,000	2¼%
2019	189,433,834	2¼%
2020	181,695,113	2¼%
2021	211,175,176	2½(c)
2022(budgeted)	238,663,800(b)	2½(c)

- (a) Residents have historically been permitted, as a credit against their City income tax liability, up to a maximum of 100% of 2-1/4% paid as municipal income tax on the same income in another municipal corporation.
- (b) The City's Fiscal Year 2022 income tax collections through July 31, 2022, were \$126.3 million or 52.9% of the budgeted amount. Through July 31, 2021, the City had income tax collections of \$110.8 million or 56.7% of its actual receipts for Fiscal Year 2021.
- (c) As described above, the City's aggregate income tax rate was increased from 2¼% to 2½% as of January 1, 2021. The annual proceeds of the additional temporary ¼% income tax approved by City voters on November 2, 2020, estimated to be approximately \$23.7 million, are required to be deposited into a separate fund and used only to pay costs of improving the City's system of roads, streets and bridges, including related debt charges

The additional ¾% tax first approved in 1982 (which has constituted 1/3 of the total 2¼% levy) provided \$58,787,333 in Fiscal Year 2017, \$61,205,999 in Fiscal Year 2018, \$63,144,611 in Fiscal Year 2019, \$60,565,038 in Fiscal Year 2020 and \$63,815,812 in Fiscal Year 2021. That levy is budgeted to provide approximately \$71,666,667 in Fiscal Year 2022.

The additional ¼% tax approved in November 2020 is budgeted to provide \$23.6 million in Fiscal Year 2022. The proceeds from that tax are required to be placed in a separate fund and used only to pay costs of improving the City’s system of roads, streets and bridges, including related debt charges.

The Council exercised its authority, at the request of the Mayor, to reallocate to the General Fund portions of the revenues from the temporary additional ¾% component of the City’s municipal income tax (the Temporary ¾% Tax) allocated to capital improvements in Fiscal Years 2012 through 2021 and budgeted Fiscal Year 2022, as follows:

Fiscal Year	Revenues from the Temporary ¾% Tax(a)	Amount Reallocated to the General Fund(a)
2012	\$17,600,000	\$ 9,400,000
2013	17,600,000	10,700,000
2014	18,300,000	11,600,000
2015	18,800,000	9,500,000
2016	19,500,000	3,000,000(b)
2017	19,600,000	0
2018	20,600,000	0
2019	21,000,000	0
2020	20,200,000	8,500,000
2021	21,300,000	0
2022(c)	23,900,000	8,000,000

(a) Amounts rounded to the nearest \$100,000.

(b) After the close of Fiscal Year 2016, the City transferred this \$3.0 million from the General Fund back to the Capital Improvements Fund.

(c) Budgeted.

The City administration currently expects a reallocation of \$8 million in Fiscal Year 2022. See **General Fund and Financial Outlook**.

Based on employer payments of employee wage and salary withholding income taxes, the ten largest municipal income tax payers in the City in Fiscal Year 2021 were, in alphabetical order:

Bon Secours Mercy Health	ProMedica
The City	The State
The County	Stellantis
General Motors Corporation	Toledo City School District
Owens Corning	The University of Toledo

The employee salary withholding taxes for the ten largest municipal income tax payers in recent Fiscal Years are set forth below:

Fiscal Year	Employee Payroll Tax	Percentage of Total City Income Tax Revenue
2017	\$42,480,663	24.1%
2018	47,067,757	25.6
2019	53,048,047	28.0
2020	51,636,807	28.4
2021	58,961,664	27.9

Only one employer, through its employee salary and wage withholdings, contributed more than 5% of total City income tax receipts in Fiscal Year 2021.

Certain of the income subject to the municipal income tax is also subject to State income tax.

House Bill 197 and House Bill 110

In response to the spread of the Pandemic, the Ohio General Assembly passed, and Governor DeWine signed into law, Amended Substitute House Bill 197 (H.B. 197) in March 2020. Section 29 of H.B. 197 provided temporary changes to Ohio's municipal income tax rules to clarify and simplify municipal income tax collection during the period of the emergency declared by Governor DeWine's Executive Order 2020-01D, issued on March 9, 2020, and continuing for 30 days following the conclusion of that period (the COVID Temporary Period). Under that Section 29, cities could temporarily impose (i) a nonresident income tax on individuals who in the absence of the Executive Order would have reported to a work location in the city (an Employer Site), without regard to the taxpayer's physical presence in the city, and (ii) an obligation on employers located in the city to withhold and remit to the city the foregoing income tax temporarily imposed on nonresident individuals who otherwise would have performed employee services in the city. Under that provision, the City imposed (i) its income taxes on workers working from their homes outside of the City rather than at Employer Sites in the City and (ii) the City income tax withholding and remittance obligations of employers of such workers. Governor DeWine lifted the state of emergency in Ohio on June 18, 2021, which would have ended the COVID Temporary Period and the applicability of the provisions of Section 29 of H.B. 197 on July 18, 2021. However, the Ohio General Assembly passed, and on July 1, 2021, Governor DeWine signed into law, Substitute House Bill 110 (H.B. 110) which extended until December 31, 2021, the period during which employers withheld and remitted the municipal income taxes to the city in which the Employer Site is located. H.B. 110 allows employees who perform (or have performed) work during tax year 2021 from a location outside the municipality in which the Employer Site is located to apply for refunds of the municipal income taxes that their employer withheld and remitted to the municipality in which the Employer Site is located.

Thus, pursuant to the provisions of Section 29 of H.B. 197, for wages earned during the COVID Temporary Period, cities were temporarily authorized to impose (i) a nonresident income tax on individuals who in the absence of the Executive Order would have reported to a work location in the city, without regard to the taxpayer's physical presence in the city, and (ii) an obligation on employers located in the city to withhold and remit the foregoing city income tax temporarily imposed on nonresident individuals who otherwise would have performed employee services in the city. Under that provision, the City imposed (i) its income taxes on workers working from their homes outside of the City rather than at Employer Sites in the City and (ii) the City income tax withholding and remittance obligations on the employers of such workers.

Provisions of H.B. 110, amending Section 29 of H.B. 197, prescribe that employers continue to have an obligation to withhold and to remit to the city in which the Employer Site is located, municipal income taxes on the employee's wages earned through December 31, 2021; however, neither an employee's actual tax liability nor the jurisdiction (or jurisdictions) to which the employee's taxes are to be paid will be conclusively determined by the employer's withholding and remission. Under H.B. 110, an employee who during tax year 2021 performs (or has performed) work from a location outside the city in which the Employer Site is located is now authorized to apply for a refund of municipal income taxes remitted by their employer to the city in which the Employer Site is located. Such an employee may claim a refund for the portion of the remitted tax applicable to the wages the employee earned on days worked outside the city in which the Employer Site is located. In processing such refunds, a city may only request from employers information as to the number of days an employee worked at the Employer Site and whether the employer has already refunded to the employee the amount of tax the employer withheld and remitted to the city. The City is currently reviewing its legal options. In accordance with the provisions of H.B. 110, the City has been processing income tax refunds for tax year 2021. In Fiscal Year 2021, the City recorded a liability of \$10.8 million in the General Fund and \$1.2 million in the Road Improvement Fund for income tax refunds payable. Through August 2022, a combined total of \$1.97 million has been refunded. Under an existing provision of the Revised Code, a taxpayer must bring any civil action to recover municipal income taxes within the later of (i) three years after the tax was due or (ii) one year after the conclusion of a qualifying deferral period, if any. See also **Covid-19 Pandemic**.

Effective January 1, 2022, Ohio's 20-day rule – requiring employers to withhold municipal income taxes for the municipality in which an employee has worked for more than 20 days during the calendar year – has been reinstated without the modifications effected by H.B. 110. If an employee has worked in a municipality 20 days or less during a calendar year, an employer is not required to withhold municipal income taxes for that municipality for that calendar year. An employee can only be considered working in one municipality per calendar day.

Litigation Potentially Affecting Municipal Income Taxes

An independent research and educational institute has filed the following lawsuits alleging that (i) the “deemed to have performed” provision of Section 29 of H.B. 197, and the concomitant impositions of withholding and remittance obligations by municipalities that have Employer Sites, violate the Fifth and Fourteenth Amendments to the United States Constitution and (ii) the Ohio General Assembly lacked authority under the Ohio Constitution to expand the taxing power of municipalities beyond established limits.

1) In July 2020, the institute and three of its employees filed a lawsuit against the Columbus (Ohio) City Auditor and the Ohio Attorney General in the Franklin County Common Pleas Court. In April 2021, that lawsuit was dismissed with prejudice in favor of the defendants. The plaintiffs filed an appeal of the dismissal in the Tenth District Court of Appeals. On November 30, 2021, the Court of Appeals rendered its opinion affirming the judgment of the Franklin County Court of Common Pleas dismissing the plaintiffs' case with prejudice. On January 14, 2022, the institute filed an appeal with the Ohio Supreme Court to hear its case. On March 29, 2022, the Court declined to accept jurisdiction of the institute's appeal, which disposed of the institute's case.

2) In February 2021, the institute filed two lawsuits on behalf of two more Ohioans, one in the Franklin County Common Pleas Court and the other in Hamilton County Common Pleas Court that similarly challenge the constitutionality of provisions of H.B. 197 that allow the cities of Columbus and Cincinnati to tax the income of workers who neither lived in nor worked within the respective municipalities during the COVID Temporary Period. In early April 2021, the lawsuit filed in the Franklin County Common Pleas Court was settled in favor of the plaintiff, resulting in the City of Columbus refunding to the plaintiff certain moneys that had been withheld by the plaintiff's employer for municipal income taxation purposes. On June 15, 2021, the Hamilton County Court of Common Pleas granted the City of Cincinnati's motion to dismiss that suit, finding that “H.B. 197 is constitutional under the General Assembly's broad powers of taxation over its residents.” The plaintiff in that suit filed an appeal of the dismissal in the First District Court of Appeals on June 16, 2021. The Court of Appeals sustained the dismissal on February 7, 2022. On March 24, 2022, the plaintiff filed an appeal with the Ohio Supreme Court to hear its case, and the Court exercised its discretion to accept the plaintiff's appeal on June 7, 2022. As of the date of this Annual Information Filing, the Ohio Supreme Court has yet to render its decision on the merits of the plaintiff's appeal.

3) In March 2021, the institute filed another such lawsuit in Lucas County Common Pleas Court against the Cities of Toledo and Oregon on behalf of three Ohioans who, during the COVID Temporary Period, worked from their homes, which were each located outside of those respective cities. Both the cities filed motions to dismiss the case, and on December 21, 2021, the Court of Common Pleas granted those motions dismissing the suit. The plaintiffs subsequently appealed this dismissal to the Sixth District Court of Appeals, where the appeal remains pending as of the date of this Annual Statement.

4) In April 2021, the institute filed another such lawsuit in Cuyahoga County Common Pleas Court against the City of Cleveland's Director of Finance and the Ohio Attorney General on behalf of a doctor who worked from a home in Pennsylvania during the COVID Temporary Period. Both the Director of Finance of the City of Cleveland and the Ohio Attorney General, separately, filed a motion to dismiss the case. On September 29, 2021, the Court of Common Pleas dismissed the claims against the Ohio Attorney General but denied, without an opinion, the motion to dismiss filed by the City of Cleveland's Director of Finance. Both parties filed motions of summary judgment on February 7, 2022. On September 26, 2022, the Court of Common Pleas granted the plaintiff's motion for summary judgment, finding that the Ohio General Assembly “cannot create jurisdiction to levy a tax on the income of persons who are not residents of Ohio” where that income “was earned for work performed outside of the State of Ohio”.

In each case, the plaintiffs have requested declaratory and injunctive relief and a refund of taxes withheld or collected under the provisions of H.B. 197. Except as otherwise noted above, these cases remain pending and the timing of their ultimate disposition after an exhaustion of likely appeals is uncertain.

Though the City is only a party to one of these litigation matters, an unfavorable outcome on any of the matters, or the litigation itself could prompt similar litigation against the City or otherwise affect City income tax withholding and collections. At this time, the City is unable to predict the extent of the impact of a decision in any such additional litigation that could be brought against the City or of any other effect of the outcome in the current litigation. The litigation described in this section could cause a significant financial impact on the City; however, the City does not anticipate that any refunds that are paid by the City due to its current litigation matter or future related litigation matters would materially impact the City's municipal income tax collections.

Nontax Revenues

The City's nontax revenues (moneys not raised by taxation) include, but are not limited to, the following:

- Charges for services provided to the public and other political subdivisions and for various services provided to City departments and agencies that are paid from moneys in restricted funds of the City, including, among others, court fees and charges, franchise fees from a cable television provider, emergency medical services charges and overhead cost allocations.
- Investment earnings on any funds of the City that are credited to the City's General Fund.
- Fees for licenses and permits.
- Fines and forfeitures, including civil penalties.
- Payments in lieu of taxes authorized by State statute.
- Parking revenues. See Footnote (b) in the Table that follows under this heading.
- Proceeds from the sale of assets.
- Rental income.
- Gifts and donations.

The following table summarizes collections for the past five Fiscal Years and for Fiscal Year 2022 (budgeted), rounded to the nearest \$1,000, of certain of the more significant sources of nontax revenues for the City's General Fund and special revenue funds in which it accounts for certain payments in lieu of taxes and for its continuing revenues received from a parking system franchise granted to the Port Authority. For the portions of such revenues credited to (or budgeted for) the General Fund, see **Appendix A**, and for information concerning such revenues received in other City funds see the discussions under **Financial Matters – Investment and Management of City Funds** and **Appendix B**.

Fiscal Year	Charges for Services	Investment Earnings(a)	Licenses and Permits	Fines and Forfeitures(b)	Payment in Lieu of Taxes	Parking System Revenues(c)	Other	Total
2017	\$30,059,000	\$ 200,000	\$2,896,000	\$ 9,856,000	\$5,294,323	\$160,000	\$1,294,000	\$49,759,323
2018	28,482,000	1,469,000	3,213,000	10,150,000	5,439,000	0	2,664,000	51,417,000
2019	28,770,900	2,189,796	2,963,468	8,546,422	5,411,050	0	1,595,916	49,477,552
2020	27,667,000	1,530,000	2,627,000	4,713,000	5,758,014	0	552,000	42,847,014
2021	26,420,000	1,977,000	3,201,000	2,408,000	5,047,439	0	1,577,000	40,630,439
2022(d)	27,271,800	1,076,300	3,625,100	2,506,000	2,346,640	0	587,610	37,413,450

- (a) Variations in amounts reflect market interest rates and the overall size of the City's investment portfolio from time to time.
- (b) Amounts include, among other revenues, revenues received under photo-enforcement traffic programs using automated red-light or speed-enforcement cameras, which were \$7.2 million in Fiscal Year 2017, \$7.4 million in Fiscal Year 2018, \$6.7 million in Fiscal Year 2019, \$2.8 million in Fiscal Year 2020 and \$1,600 in Fiscal Year 2021. The City is not budgeting receipt of any revenues received under photo-enforcement traffic programs. See the discussion below regarding the status of litigation relating to separate pieces of State legislation that require a police officer to be present to personally witness the violations issued as a result of the use of automated red-light or speed-enforcement cameras and that would reduce a local government's distribution from the State's Local Government Fund by amounts the local government continues to collect from citations recorded by the cameras.
- (c) In 2011, the City sold its parking facilities and granted a public parking franchise to the Port Authority enabling the Port Authority to operate parking meters in a portion of the City for a period of approximately 22 years. The City received a lump-sum upfront payment of \$12.4 million for the parking facilities and the franchise and is entitled to receive certain additional ongoing fees for the franchise. The amounts shown are those ongoing fees being received by the City.
- (d) Budgeted.

The State legislature made a number of attempts in recent years to regulate the use of photo-enforcement cameras by the City and other municipalities and political subdivisions.

After lengthy litigation, the question of the power to regulate such cameras was resolved by the Ohio Supreme Court in the case of *Village of Newburgh Heights v. State*, 2022-Ohio-1642. The City suspended operation of the system shortly after June 24, 2020. As of the date of this Annual Statement, the program remains suspended.

A civil lawsuit against the City pending in Lucas County Common Pleas Court seeks to represent a class of motorists claiming restitution on behalf of those who paid fines after receiving citations related to traffic cameras or handheld devices after July 3, 2019. The Common Pleas Court found that plaintiff could not represent the class. The matter was unsuccessfully appealed and is now back in the trial court. At this time, the City is unable to predict the extent of any potential recovery pursuant to this lawsuit.

Local Government Assistance Funds

Statutory state level local government assistance funds, comprised of designated State revenues, are another source of revenue to the City's General Fund. Most are distributed to each county and then allocated on a formula basis, or in some cases on an agreement basis, among the county and cities, villages and townships, and in some cases park districts, in the county. City receipts from those funds in Fiscal Years 2017 through 2021 have been, and are budgeted to be in Fiscal Year 2022, as shown in the following table:

Fiscal Year	Amount
2017	\$8,963,000(a)
2018	7,755,082
2019	8,155,282
2020	8,182,978
2021	9,523,703
2022(budgeted)	8,700,000

- (a) This amount shown for Fiscal Year 2017 includes \$1.323 million originally budgeted for Fiscal Year 2018 that was incorrectly shown in the City's Basic Financial Statements for Fiscal Year 2017 as having been received in Fiscal Year 2017.

The amounts of and formula for distribution of these funds have been and may be revised from time to time.

Casino Tax Revenues

In Fiscal Year 2012, the City began receiving revenues from a tax on casino revenues imposed by the State pursuant to a vote of the electors of the State authorizing the constitutional amendment permitting four casinos to be constructed and operated in the City and the cities of Cleveland, Columbus and Cincinnati. The first two casinos in the State opened in the City and the City of Cleveland in May 2012, followed by a third that opened in Columbus in October 2012, and the final that opened in Cincinnati in March 2013.

The City’s shares of the proceeds of that State tax, established by the constitutional amendment, were in Fiscal Years 2017 through 2021, and its share in Fiscal Year 2022 is budgeted to be, as follows:

Fiscal Year	Amount
2017	\$5,828,000
2018	5,930,733
2019	5,966,897
2020	5,087,887(a)
2021	6,889,707
2022(budgeted)	6,800,000

(a) The decrease in these revenues was due in large part to the effects of the COVID-19 pandemic.

AD VALOREM PROPERTY TAXES

Assessed Valuation

The following table shows the recent assessed valuations of property subject to ad valorem taxes levied by the City.

Tax Collection Year	Assessed Valuation		Total Assessed Valuation
	Real(a)	Public Utility(b)	
2018	\$2,964,313,160	\$207,161,510	\$3,171,474,670
2019(c)	3,104,398,440	215,374,870	3,319,773,310
2020	3,105,943,850	226,582,770	3,332,526,620
2021	3,156,219,650	242,940,370	3,399,160,020
2022(d)	3,538,202,750	256,597,890	3,794,800,640

(a) Other than real property of railroads. The real property of public utilities, other than railroads, is assessed by the County Auditor. Real property of railroads is assessed, together with tangible personal property of all public utilities, by the State Tax Commissioner.

(b) Tangible personal property of all public utilities and real property of railroads.

(c) Reflects sexennial reappraisal.

(d) Reflects triennial adjustment.

Source: County Auditor.

Taxes collected on “Real” in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year. “Public Utility” (real and tangible personal) taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year.

Largest Property Tax Payers

Based on County Auditor records of assessed valuations for the 2022 tax collection year, the largest City ad valorem property tax payers are:

Name of Taxpayer	Nature of Business	Assessed Valuation
Toledo Edison Company ^(a)	Public Utility	\$118,180,970
American Transmission Systems, Inc. ^(a)	Public Utility	71,391,210
Columbia Gas of Ohio, Inc.	Public Utility	67,865,250
GLP Capital LP	Casino	56,928,380
ProMedica Toledo Hospital ^(b)	Medical Office Building	48,491,150
One Seagate Partners LLC	Real Estate Holdings	10,958,050
Toledo Lucas County Port Authority	Real Estate Holdings	9,284,030
Norfolk Southern Combined Railroad	Railroad	7,729,570
Star-West Franklin Park	Retail Mall Owner-Lessor	7,265,560 ^(c)
First TDT LLC	Hotels	5,940,840
University Residences at Westwood II, LLC	Apartment Complexes	5,860,830
LC Country Club B LLC an Ohio LLC	Apartment Complexes	5,514,680
George F Eyde Family LLC	Real Estate Holdings	5,369,250
Clinic Campus LLC	Real Estate Holdings	4,581,020
Jamestown Apartments 17 LLC A Michigan LLC	Apartment Complexes	3,896,000

(a) Toledo Edison Company and American Transmission Systems, Inc. are affiliates of FirstEnergy Corp.

(b) See **Economic and Demographic Information - Industry and Major Employers**.

(c) Excludes incremental value exempted from taxation under a tax increment financing program.

Pursuant to statutory requirements for sexennial reappraisals, in 2018 the County Auditor adjusted the true value of taxable real property to reflect then current fair market values. These adjustments were first reflected in the 2018 duplicate (collection year 2019) and in the ad valorem taxes distributed to the City in 2019. The County Auditor is required to adjust (but without individual appraisal of properties except in the sexennial reappraisal), and has adjusted, taxable real property value triennially to reflect true values. The County Auditor completed an adjustment in 2021, and that adjustment was first reflected in the 2021 duplicate and in the ad valorem taxes distributed to the City beginning in collection year 2022.

The “assessed valuation” of real property is fixed at 35% of true value and is determined pursuant to rules of the State Tax Commissioner. An exception is that real property devoted exclusively to agricultural use is to be assessed at not more than 35% of its current agricultural use value. Real property devoted exclusively to forestry or timber growing is taxed at 50% of the local tax rate upon its assessed value.

As a result of the phase-out of taxation of tangible personal property used in general business (excluding certain public utility property) and tangible personal property used by telephone, telegraph or interexchange telecommunications companies, as described above, and a 2002 reduction of the percentages of true value of electric utility production equipment and natural gas utility property assessed for taxation, eligible local governments have received reimbursement payments from the State to account for the loss of property tax revenue. The City has not received reimbursement from the State relating to lost property revenue from any of its levies since 2015.

As indicated herein, the General Assembly has from time to time exercised its power to revise the laws applicable to the determination of assessed valuation of taxable property and the amount of receipts to be produced by ad valorem taxes levied on that property and may continue to make similar revisions.

Ohio law grants tax credits to offset increases in taxes resulting from increases in the true value of real property. Legislation classifies real property as between residential and agricultural property and all other real property, and provides for tax reduction factors to be separately computed for and applied to each class.

These tax credits apply only to certain voted levies on real property, and do not apply to unvoted levies, or to voted levies to provide a specified dollar amount or to pay debt charges on general obligation debt. These credits are discussed further following **Tax Table A**.

Overlapping Governmental Entities

The major political subdivisions or other governmental entities that overlap all or a portion of the territory of the City are listed below. The parenthetical “%” is that approximate percentage of the recent real property tax valuation of the overlapping entity that is located within the City.

- (1) The County (functions allocated to counties by Ohio law, such as elections, health and human services and a portion of the judicial system). (41.78%)
- (2) Toledo City School District (K-12 educational responsibilities) (98.87%). The City’s assessed value is split among various school districts as follows:

Toledo City School District	70.19%
Washington Local School District	23.31%
Sylvania City School District	3.20%
Springfield Local School District	1.84%
Maumee City School District	1.45%
Ottawa Hills Local School District	0.01%
- (3) Toledo Area Regional Transit Authority (TARTA) (public mass transit system). (57.96%)
- (4) Toledo-Lucas County Port Authority (public port facilities in the Port of Toledo). (41.78%)
- (5) Sylvania Park District (park and recreation areas). (6.80%)
- (6) Toledo-Lucas County Library District (public library system). (41.78%)
- (7) Penta County Joint Vocational School District (vocational educational responsibilities). (1.63%)

Source: County Auditor and Ohio Department of Taxation data.

Each of these entities operates independently, with its own separate budget, taxing power and sources of revenue. Only the City, the County, the school districts and TARTA may levy ad valorem property taxes within the ten-mill limitation (subject to available statutory allocation of the 10 mills) described under **City Debt and Other Long-Term Obligations – Indirect Debt and Unvoted Property Tax Limitations**.

Tax Rates

All references to tax rates under this caption are in terms of stated rates in mills per \$1.00 of assessed valuation.

Tax Table A sets forth the tax rates at which the City and overlapping taxing subdivisions levied ad valorem property taxes and the general categories of purposes for which such taxes were levied in recent years. The Charter provides that the total tax rate the City may levy for current operating expenses without a vote of its electors is 4.445 mills less that number of mills the City levies within the ten-mill limitation for the purpose of paying debt service on its unvoted general obligation bonds and bond anticipation notes. No millage is levied currently or has been levied recently for debt service; the City pays that debt service from municipal income tax revenues and other sources. See **Debt Table C**.

Statutory procedures limit, by the application of tax credits, the amount realized by each taxing subdivision from real property taxation to the amount realized from those taxes in the preceding year plus both: (i) the proceeds of any new taxes (other than renewals) approved by the electors, calculated to produce an amount equal to the amount that would have been realized if those taxes had been levied in the preceding year, and (ii) amounts realized from new and existing taxes on the assessed valuation of real property added to the tax duplicate since the preceding year.

The tax credit provisions do not apply to amounts realized from taxes levied at whatever rate required to produce a specified amount or an amount to pay debt service, or from taxes levied inside the ten-mill limitation or any applicable charter tax rate limitation, and therefore do not apply to any of the City's own current levies. To calculate the limited amount to be realized, a reduction factor is applied to the stated rates of the tax levies subject to these tax credits. A resulting "effective tax rate" reflects the aggregate of those reductions, and is the rate based on which real property taxes are in fact collected. See **Tax Table A**.

Residential and agricultural real property tax amounts paid by taxpayers generally have been further reduced by an additional 10% (12.5% in the case of owner-occupied residential property); however, legislation passed by the State's General Assembly in 2013 eliminated such reductions for additional and replacement levies approved at elections after September 29, 2013, and for other taxes (or increases in taxes) not levied for tax year 2013. See **Collections** for a discussion of reimbursements by the State to taxing subdivisions for these reductions and related changes made by that State legislation.

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TAX TABLE A
TAX RATES FOR THE CITY AND OVERLAPPING TAXING SUBDIVISIONS
FOR TAX YEARS 2017 THROUGH 2021 (COLLECTION YEARS 2018 THROUGH 2022)

The City within(b):	LUCAS COUNTY(a)			CITY AND LOCAL SCHOOL DISTRICTS					CITY			TOTAL RATE	EFFECTIVE RATE		
	TARTA	PORT AUTHOR-ITY	GENERAL	VOTED LEVIES	LIB-RARY	GENERAL	PERMA-NENT IMPROVE-MENTS	BOND RETIRE-MENT	PENTA COUNTY JVSD	GENERAL	POLICE & FIRE PENSION		RECRE-ATION DISTRICT	AGR/RES	OTHER
TAX YEAR 2017															
Toledo CSD	2.50	0.40	2.00	17.67	3.70	66.33	2.00	5.25		3.80	0.60		104.25	79.36	96.81
Maumee CSD, PC JVSD	2.50	0.40	2.00	17.67	3.70	80.60	2.65	5.40	3.20	3.80	0.60		122.52	88.11	99.10
Washington LSD	2.50	0.40	2.00	17.67	3.70	80.30	3.20			3.80	0.60		114.17	83.82	91.67
Sylvania CSD	2.50	0.40	2.00	17.67	4.70(e)	81.80	1.30	5.46		3.80	0.60	2.11	122.34	88.44	93.07
Ottawa Hills LSD	2.50	0.40	2.00	17.67	3.70	135.05	4.00			3.80	0.60		169.72	114.25	141.99
Springfield LSD, PC JVSD	2.50	0.40	2.00	17.67	3.70	76.20	1.35	1.00	3.20	3.80	0.60		112.42	78.73	81.62
TAX YEAR 2018															
Toledo CSD	2.50	0.40	2.00	17.67	3.70	66.13	2.00	4.72		3.80	0.60		103.52	74.93	95.39
Maumee CSD, PC JVSD	2.50	0.40	2.00	17.67	3.70	86.50	2.65	4.80	3.20	3.80	0.60		127.82	86.42	103.16
Washington LSD	2.50	0.40	2.00	17.67	3.70	80.30	3.20			3.80	0.60		114.17	78.10	91.22
Sylvania CSD	2.50	0.40	2.00	17.67	4.70(e)	81.80	1.30	4.89		3.80	0.60	2.00	121.66	80.75	91.60
Ottawa Hills LSD	2.50	0.40	2.00	17.67	3.70	135.05	4.00			3.80	0.60		169.72	106.55	143.10
Springfield LSD, PC JVSD	2.50	0.40	2.00	17.67	3.70	75.75	1.35	0.56	3.20	3.80	0.60		111.53	72.61	79.73
TAX YEAR 2019															
Toledo CSD	2.50	0.40	2.00	17.82	3.70	66.09	2.00	4.57		3.80	0.60		103.48	75.01	95.66
Maumee CSD, PC JVSD	2.50	0.40	2.00	17.82	3.70	86.50	2.65	4.80	3.20	3.80	0.60		127.97	86.72	103.82
Washington LSD	2.50	0.40	2.00	17.82	3.70	80.30	7.10	3.00		3.80	0.60		121.22	85.26	98.89
Sylvania CSD	2.50	0.40	2.00	17.82	4.70(e)	81.80	1.30	4.91		3.80	0.60	1.78	121.61	80.85	92.21
Ottawa Hills LSD	2.50	0.40	2.00	17.82	3.70	135.05	4.00			3.80	0.60		169.87	106.90	143.36
Springfield LSD, PC JVSD	2.50	0.40	2.00	17.82	3.70	75.67	2.25	0.56	3.20	3.80	0.60		112.50	73.66	80.30
TAX YEAR 2020															
Toledo CSD	2.50	0.40	2.00	19.82	3.70	65.95	2.00	4.10		3.80	0.60		104.87	76.43	97.13
Maumee CSD, PC JVSD	2.50	0.40	2.00	19.82	3.70	86.50	2.65	4.80	3.20	3.80	0.60		129.97	88.70	105.99
Washington LSD	2.50	0.40	2.00	19.82	3.70	84.20	3.20	3.00		3.80	0.60		123.22	87.29	101.43
Sylvania CSD	2.50	0.40	2.00	19.82	4.70(e)	81.80	1.30	4.10		3.80	0.60	1.78	122.80	82.04	93.76
Ottawa Hills LSD	2.50	0.40	2.00	19.82	3.70	139.95	4.00	2.68		3.80	0.60		179.45	116.57	156.00
Springfield LSD, PC JVSD	2.50	0.40	2.00	19.82	3.70	75.67	2.25	0.25	3.20	3.80	0.60		114.19	75.29	82.14
TAX YEAR 2021															
Toledo CSD	2.50	0.40	2.00	19.72	3.70	65.33	2.00	4.15		3.80	0.60		104.20	68.48	93.18
Maumee CSD, PC JVSD	2.50	0.40	2.00	19.72	3.70	86.50	2.65	4.40	3.20	3.80	0.60		129.47	78.61	102.74
Washington LSD	2.50	0.40	2.00	19.72	3.70	84.20	3.20	2.65		3.80	0.60		122.77	76.11	95.78
Sylvania CSD	2.50	0.40	2.00	19.72	4.70(e)	81.80	1.30	3.40		3.80	0.60	1.70	121.92	72.87	89.88
Ottawa Hills LSD	2.50	0.40	2.00	19.72	3.70	139.95	4.00	2.68		3.80	0.60		179.35	104.79	147.78
Springfield LSD, PC JVSD	2.50	0.40	2.00	19.72	3.70	75.13	2.25	0.36	3.20	3.80	0.60		113.66	67.86	79.33

- (a) Includes levies for the County, the Toledo Lucas County Public Library District and the Metropolitan Park District of the Toledo Area, and the Sylvania Township Park District.
- (b) "CSD" means City School District, "LSD" means Local School District and "PC JVSD" means Penta County Career Center.
- (c) Includes 0.70 for the Sylvania Township Park District.
- (d) Includes 0.20 for the Sylvania Township Park District.
- (e) Includes 1.00 for the Sylvania Township Park District.

Source: County Treasurer

Collections

Tax Table B below sets forth the amounts billed and collected for City ad valorem taxes and special assessments for recent tax collection years.

TAX TABLE B
REAL, TANGIBLE PERSONAL AND PUBLIC UTILITY PROPERTY TAX AND SPECIAL
ASSESSMENT
CURRENT AND DELINQUENT COLLECTIONS
(In Thousands of Dollars)

Tax Year		Collection Year	Dollars of Current Amount		Percent of Current Levy Collected	Dollars of Unpaid Amount		Total Dollars Collected	Total Collections as a Percentage of Current Levy
			Levied	Collected		Billed	Collected		
2011	Real and Public Utility(a)	2012	16,543	14,415	87.1	3,375	1,135	15,550	94.0
	Tangible Personal	2012	0	0	--	306	3	3	--
	Special Assessments	2012	25,398	21,488	84.6	11,124	2,784	24,273	95.6
2012	Real and Public Utility(a)	2013	14,262	12,461	87.4	3,366	1,048	13,509	94.7
	Tangible Personal	2013	0	0	--	303	3	3	--
	Special Assessments	2013	26,738	22,766	85.1	12,991	2,914	25,680	96.0
2013	Real and Public Utility(a)	2014	14,163	12,451	87.9	3,258	974	13,425	94.8
	Tangible Personal	2014	0	0	--	278	1	1	--
	Special Assessments	2014	24,365	20,375	83.6	14,698	2,928	23,303	95.6
2014	Real and Public Utility(a)	2015	14,110	12,660	89.7	3,101	1,151	13,811	97.9
	Tangible Personal	2015	0	0	--	259	3	3	--
	Special Assessments	2015	26,899	22,797	84.8	16,193	3,381	26,178	97.3
2015	Real and Public Utility(a)	2016	13,914	12,887	92.6	3,394	872	13,760	98.9
	Tangible Personal	2016	0	0	--	253	1	1	--
	Special Assessments	2016	32,884	27,962	85.0	18,718	3,046	31,008	94.3
2016	Real and Public Utility(a)	2017	13,961	12,904	92.4	3,394	720	13,624	97.6
	Tangible Personal	2017	0	0	--	251	<1	<1	--
	Special Assessments	2017	31,102	26,482	85.2	21,571	3,144	29,626	95.3
2017	Real and Public Utility(a)	2018	13,954	12,988	93.1	3,468	721	13,709	98.2
	Tangible Personal	2018	0	0	--	0	<1	<1	--
	Special Assessments	2018	28,804	24,270	84.3	23,978	3,130	27,400	95.1
2018	Real and Public Utility(a)	2019	14,607	13,561	92.8	3,909	712	14,273	97.7
	Tangible Personal	2019	0	0	--	0	<1	<1	--
	Special Assessments	2019	31,084	26,178	84.2	26,533	2,906	29,084	93.6
2019	Real and Public Utility(a)	2020	14,663	13,705	93.5	4,242	857	14,562	99.3
	Tangible Personal	2020	0	0	--	0	<1	<1	--
	Special Assessments	2020	30,704	25,801	84.0	30,149	3,437	29,239	95.2
2020	Real and Public Utility(a)	2021	14,956	13,833	92.5	4,250	751	14,584	97.5
	Tangible Personal	2021	0	0	--	0	<1	<1	--
	Special Assessments	2021	33,705	28,211	83.7	32,088	3,205	31,416	93.2

(a) Amounts shown include approximately \$2 million that was paid to the County Health District to pay the City's share of the District's operating expenses in accordance with an agreement between the City and the County for the creation of the County wide district.

Source: County Auditor.

Included in the “Billed” and “Collected” figures above are payments made from State revenue sources under two Statewide real property tax relief programs – the Homestead Exemption and the Property Tax Rollback Exemption. Homestead Exemptions have been available for (i) persons 65 years of age or older, (ii) persons who are totally or permanently disabled and (iii) surviving spouses of persons who were totally or permanently disabled or 65 years of age or older, and had applied and qualified for a reduction of property taxes in the year of death, so long as the surviving spouses were not younger than 59 or older than 65 years of age on the date of their deceased spouses’ deaths. The Homestead Exemption exempts \$25,000 of the homestead’s market value from taxation, thereby reducing the property owner’s ad valorem property tax liability. The Property Tax Rollback Exemption applies to all non-business properties, and reduces each property owner’s ad valorem property tax liability by either 12.5% (for owner-occupied non-business properties) or 10% (for non-owner non-business occupied properties). Payments to taxing subdivisions have been made in amounts approximately equal to the Homestead and Property Tax Rollback Exemptions granted. This State assistance reflected in the City’s tax collections for 2021 was \$558,226 for the elderly/disabled homestead payment and \$1,070,777 for the rollback payment.

The Homestead Exemption became subject to means testing beginning in 2014, and the Property Tax Rollback Exemption and related reimbursements have been eliminated with respect to new or replacement tax levies approved at elections after September 29, 2013, and for other taxes (or increases in taxes) not levied for tax year 2013. See **Tax Rates**.

Real property taxes are payable in two installments, the first usually by February and the second in July.

Delinquency Procedures

The following is a general description of delinquency procedures under Ohio law, the implementation of which may vary in practice among the counties. Under the Revised Code, taxes become a lien of the State on the first day of January, annually, and continue until the taxes, including any penalties, interest or other charges, are paid. Real estate taxes and special assessments that are not paid in the year they are due are to be certified by the county auditor’s office as delinquent. Any amount of a previous tax bill not paid before new tax bills are mailed for the next half of the year is considered delinquent and becomes subject to a 10% penalty. A list of delinquent properties is compiled by the county auditor (the “delinquent land duplicate”). If delinquent taxes (and special assessments) are not paid within 60 days after a copy of the county auditor’s delinquent land duplicate is delivered to the county treasurer, then the county treasurer is to enforce the lien of the State that attached on January 1 of the year the taxes first became payable. Under State law (Section 323.25 of the Revised Code), the county treasurer is to enforce the lien “in the same way mortgage liens are enforced,” that is, by an action in the court of common pleas for foreclosure and sale of the property in satisfaction of the delinquency. If the county treasurer fails to bring an action to enforce the lien, then the State tax commissioner is to do so. In addition, one year after certification of a delinquent land list, the county prosecuting attorney is authorized to institute foreclosure proceedings in the name of the county treasurer to foreclose the lien.

The property owner may arrange a payment plan with the county treasurer providing for payments over a period not to exceed five years. If payments are made when due under the plan, no further interest will be assessed against delinquent balances covered by the plan; a default in any payment under the plan or in the payment of current taxes will invalidate the taxpayer’s participation in the plan. If a payment plan is not adhered to or if none is arranged, foreclosure proceedings may be initiated by the county. Mass foreclosure proceedings and sales are permitted after three years’ delinquency. Proceeds from delinquent property foreclosure sales become part of and are distributed as current collections to the taxing subdivisions.

A program authorized by State legislation permits certain of the larger counties to “sell” rights to collect delinquent real estate taxes. That program has been implemented by the County, and the party purchasing those rights has reportedly filed many additional foreclosure actions. The City estimates that approximately half of the delinquent parcels are located in areas of the City where development is not currently economically feasible and have fair market values less than the accumulated delinquent taxes and special assessments on them.

In recent years, the State legislature has enacted several programs with respect to forestalling the foreclosure process or the forfeiture of property due to tax delinquency that may have the effect of delaying or eliminating the collection of certain property taxes.

Of the 116,124 nonexempt parcels in the City for collection year 2021, the number of delinquent parcels was approximately 78,629 against 378 of which foreclosure proceedings have been commenced by County officials or assignees.

CARES ACT RESOURCES

The federal CARES Act, signed into law in March, 2020, created a \$150 billion Coronavirus Relief Fund (CRF) to assist state and local governments with costs related to the COVID-19 pandemic. Under federal guidelines, the State is to distribute \$1.2 billion of these funds to cities, counties and other local governments so they can be spent by December 31, 2021.

The City received \$25.08 million of such resources in Fiscal Year 2020. As required, those moneys were deposited into a special “CARES Act Fund”.

Consistently with the requirements of the CARES Act, the City expended the CRF resources it received for police and fire department overtime and other related labor costs (\$24.49 million), costs of personal protective equipment and other supplies (\$191,000), information technology needed to enable City employees to work remotely during the pandemic (\$403,000) and related administrative costs (\$3,000) by December 30, 2020.

The City transferred its appropriations for those eligible expenditures from the General Fund to the CARES Act Fund. Each such transfer reduced General Fund appropriations and subsequent expenditures below the budgeted amounts and created a favorable variance to the budgeted year-end balance for the General Fund in Fiscal Year 2021.

AMERICAN RESCUE PLAN ACT OF 2021 RESOURCES

The City has begun receiving distributions of direct federal aid under the American Rescue Plan Act of 2021 (ARPA), passed by Congress and signed by President Biden on March 11, 2021. Those distributions totaled approximately \$180.9 million. On May 21, 2021, the City received an initial distribution of \$90.5 million of such ARPA aid. The City received a second distribution of such ARPA aid in a like amount in mid-2022.

ARPA generally provides that such aid to state and local governments may be used to cover costs incurred to (i) support public health expenditures to mitigate COVID-19 impacts, medical expenses, behavioral healthcare, and certain public health and safety staff, (ii) address negative economic impacts caused by public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector, (iii) replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic, (iv) provide premium pay for essential workers, offering additional support to those who have and will bear the greatest health risks because of their service in critical infrastructure sectors and (v) invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.

The City has developed a “Toledo Recovery Plan” for the allocation of the ARPA aid it receives. This plan was developed after a months-long community engagement process. Using data captured through this process, the City developed the Toledo Recovery Plan, which consists of 25 projects aligned with the City’s five targeted investment areas to promote a comprehensive, multifaceted approach to recovery from the pandemic. City Council approved this Toledo Recovery Plan framework in December 2021. The City has committed to utilize “SMART Analysis” to ensure oversight and promote a strong and equitable recovery in the City. In general terms, the Toledo Recovery Plan calls for approximately \$72.3 million to be allocated for municipal recovery revenue replacement, \$8.6 million for premium pay for

essential workers and the remaining \$100 million for a variety of capital and operational projects and programming.

Through September 13, 2022, ARPA funds totaling \$70.5 million have been appropriated by City Council.

CITY DEBT AND OTHER LONG-TERM OBLIGATIONS

The following describes the security for the City's general obligation debt, certain special assessment notes and long-term economic development obligations, applicable debt and ad valorem property tax limitations, outstanding and projected bond and note indebtedness and certain other long-term financial obligations of the City.

As used in this Annual Statement, "BANs" refers to notes issued in anticipation of the issuance of general obligation bonds.

The City is not, and to the knowledge of current City officials has not in at least the last 50 years been, in default in the payment of debt service on any of the bonds or notes on which the City is obligor or in a condition of default under any financing documents relating to any issue of revenue bonds on which it is obligor. However, the City makes no representation as to the existence of a condition of default resulting from a default by any private entity under any financing documents relating to industrial development or housing revenue bonds of which the City was the issuer.

Security for General Obligation Debt; Bonds and BANs

Unvoted Bonds. The basic security for unvoted City general obligation bonds is the City's ability to levy, and its levy pursuant to constitutional and statutory requirements of, ad valorem taxes on all real and tangible personal property subject to ad valorem taxation by the City, within the ten-mill limitation described below. These taxes are to be sufficient in amount to pay (to the extent not paid from other sources) as they come due the debt charges on unvoted general obligation bonds. The law provides that the levy necessary for debt charges has priority over any levy for other purposes within that tax limitation; that priority may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer, and other laws relating to or affecting the rights and remedies of creditors generally; to the application of equitable principles, whether considered in a proceeding at law or in equity; to the exercise of judicial discretion; and to limitations on legal remedies against public entities. See the discussion under **Indirect Debt and Unvoted Property Tax Limitations** of the ten-mill limitation, and the priority of claim on it for debt charges on unvoted general obligation debt of the City and all overlapping taxing subdivisions.

Voted Bonds. The basic security for voted City general obligation bonds is the authorization by the electors for the City to levy, and its levy pursuant to constitutional and statutory requirements of, ad valorem taxes, without limitation as to rate or amount, on all real and tangible personal property subject to ad valorem taxation by the City. These taxes are outside of the ten-mill limitation and are to be sufficient in amount to pay (to the extent not paid from other sources) as they come due the debt charges on the voted bonds (subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer, and other laws relating to or affecting the rights and remedies of creditors generally; to the application of equitable principles, whether considered in a proceeding at law or in equity; to the exercise of judicial discretion; and to limitations on legal remedies against public entities).

The City did not, as of the end of Fiscal Year 2021, and does not now, have any outstanding voted general obligation debt or unused authority to issue any such debt.

BANs. While BANs are outstanding, Ohio law requires the levy of an ad valorem property tax in an amount not less than what would have been levied if bonds had been issued without the prior issuance of the BANs. That levy need not actually be collected if payment in fact is to be provided from other sources, such as the proceeds of the bonds anticipated or of renewal BANs. BANs, including renewal BANs, may be issued and outstanding from time to time up to a maximum period of 240 months from the date of issuance of the original notes (the maximum maturity for special assessment BANs is five years).

Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated. Portions of the principal amount of BANs outstanding for more than five years must be retired in amounts at least equal to, and payable not later than, those principal maturities that would have been required if the bonds had been issued at the expiration of the initial five-year period.

Statutory Direct Debt Limitations

The Revised Code provides two limitations applicable to general obligation debt of cities that are directly based on tax valuation.

- The net principal amount of both voted and unvoted debt of a city, excluding “exempt debt” (discussed below), may not exceed 10½% of the total tax valuation of all property in the city as listed and assessed for taxation.
- The net principal amount of the unvoted debt of a city, excluding exempt debt, may not exceed 5½% of that valuation.

These two limitations, which are referred to as the “direct debt limitations,” may be amended from time to time by the General Assembly.

A city’s ability to incur unvoted general obligation debt (whether or not exempt from the direct debt limitations) also is restricted by the indirect debt limitation discussed below under **Indirect Debt and Unvoted Property Tax Limitations**.

Certain debt a city may issue is exempt from the direct debt limitations (“exempt debt”). Exempt debt includes, among others:

- General obligation debt:
 - That is “self-supporting” (that is, nontax revenues from the facility or category of facilities financed are sufficient to pay operating and maintenance expenses and related debt service and other requirements) issued for city utility systems or facilities; airports or landing fields; railroads and other mass transit systems; parking facilities; health care facilities; solid waste facilities; urban development; recreation, sports, convention, museum and other public attraction facilities; facilities for natural resource exploration, development, recovery, use or sale; correctional and other related rehabilitation facilities.
 - For highway improvements if the city has covenanted to pay debt service and financing costs from distributions of motor vehicle license and fuel taxes.
 - Issued in anticipation of the levy or collection of special assessments.
 - To pay final judgments or court-approved settlements.
 - That is voted for water or sanitary or storm water sewerage facilities to the extent that another subdivision has agreed to pay amounts equal to debt service to the city.
 - For permanent improvements not in excess of 1.1% of the city’s assessed valuation to the extent debt service is expected to be paid from tax increment financing payments in lieu of taxes pursuant to ordinance pledges or covenants.

- Unvoted general obligation bonds to the extent that debt service will be met from lawfully available municipal income taxes or other municipal excises or taxes (other than ad valorem property taxes) to be applied to that debt service pursuant to ordinance covenants.
- Revenue debt and mortgage revenue bonds to finance municipal utilities.
- Notes anticipating the levy or collection of special assessments for certain city services.
- Notes anticipating the collection of current revenues or the proceeds of a specific tax levy.
- Securities issued for certain energy conservation improvements or certain emergency purposes.
- Debt issued in anticipation of the receipt of federal or State grants for permanent improvements, or to evidence loans from the State capital improvements fund or State infrastructure bank.
- Voted debt for urban redevelopment purposes not in excess of 2% of the city's assessed valuation.
- Debt issued to make a single payment on certain accrued liability of the city under an agreement relating to the police and fireman's disability and pension fund.
- Securities issued under certain circumstances for city educational and cultural facilities or a sports facility.

BANs issued in anticipation of exempt bonds also are exempt debt.

The City may incur debt for operating purposes, such as current tax or other revenue anticipation notes or tax anticipation notes, only under certain limited statutory authority.

In the calculation of debt subject to the direct debt limitations, the amount in a city's bond retirement fund allocable to the principal amount of nonexempt debt is deducted from gross nonexempt debt. Because the City generally appropriates moneys into its Bond Retirement Fund to pay debt service on its general obligation debt only as it is required, there is generally only a relatively small amount on deposit in that Fund and, therefore, little or no deduction to be made from the gross nonexempt debt in calculating the debt subject to the direct debt limitations.

Without consideration of amounts in the City's Bond Retirement Fund, and based on outstanding debt, and current assessed valuation, the City's voted and unvoted nonexempt general obligation debt capacities as of December 31, 2021, were and as of this date are:

Limitation	<u>As of December 31, 2021</u>		<u>As of September 15, 2022</u> ^(a)	
	Nonexempt Debt Outstanding	Additional Debt Capacity Within Limitation	Nonexempt Debt Outstanding	Additional Debt Capacity Within Limitation
10½% = \$398,454,067	\$113,149,992	\$285,304,075	\$131,149,992	\$267,304,075
5½% = \$208,714,035	\$113,149,992	\$ 95,564,043	\$131,149,992	\$ 77,564,043

(a) On August 19, 2022, the City issued \$18,000,000 of unvoted general obligation BANs to provide funds to pay costs of renovating, remodeling, equipping and re-equipping and otherwise improving the Municipal Court Building.

This is further detailed in **Debt Table A**.

Indirect Debt and Unvoted Property Tax Limitations

Voted general obligation debt may be issued by the City if authorized by vote of the electors. Ad valorem taxes, without limitation as to amount or rate, to pay debt service on voted bonds are authorized by the electors at the same time they authorize the issuance of the bonds.

General obligation debt also may be issued by the City without a vote of the electors. This unvoted debt may not be issued unless the ad valorem property tax for the payment of debt service on (a) those bonds (or the bonds in anticipation of which BANs are issued), and (b) all outstanding unvoted general obligation bonds (including bonds in anticipation of which BANs are issued) of the combination of overlapping taxing subdivisions including the City resulting in the highest tax required for such debt service, in any year is 10 mills or less per \$1.00 of assessed valuation. This indirect debt limitation, the product of what is commonly referred to as the “ten-mill limitation,” is imposed by a combination of provisions of Ohio Constitution and the Revised Code.

The ten-mill limitation is the maximum aggregate millage for all purposes that may be levied on any single piece of property by all overlapping taxing subdivisions without a vote of the electors. This 10 mills is allocated pursuant to a statutory formula among certain overlapping taxing subdivisions in the County, including the City. The current allocation of the 10 mills (sometimes referred to as the “inside millage”) in the City within the Toledo City School District (the largest school district overlapping taxing subdivision) is as follows: 4.4 City, 2.0 County, and 3.6 School District. Of the entire 10 mills, 5.6 mills is currently being levied by the taxing subdivisions overlapping the City, because the City is not currently levying a tax within that limitation for debt service or other purposes. The City is levying 4.40 mills for current operating expenses within the 4.445-mill Charter tax rate limitation described below.

Current Ohio law requires the inside millage allocated to a taxing subdivision to be used first for the payment of debt service on its unvoted general obligation debt, unless provision has been made for that payment from other sources, with the balance usable for other purposes. As previously stated, the City anticipates that debt service on its unvoted general obligation debt will be paid from municipal income tax and certain nontax revenues (and, as to BANs, proceeds of renewal BANs and the bonds anticipated) rather than from the inside millage. See **Debt Table C**. To the extent the inside millage is required for debt service of a taxing subdivision (which may exceed the formula allocation to that subdivision), the amount that would otherwise be available to that subdivision for general fund purposes is reduced. Because the inside millage that may actually be required to pay debt service on a subdivision’s unvoted general obligation debt may exceed the formula allocation of that millage to the subdivision, the excess reduces the amount of inside millage available to overlapping subdivisions. In the case of the City, however, a law applicable to all Ohio cities and villages requires that any lawfully available receipts from a municipal income tax or from voted property tax levies be allocated to pay debt service on City unvoted debt before the formula allocations of the inside millage to overlapping subdivisions can be invaded for that purpose.

In lieu of the ten-mill limitation briefly discussed above, the electors of a charter municipality such as the City may authorize the levy of a tax at a rate subject to a different limitation. The electors of the City have authorized the Council to levy each year for current operating expenses of the City a tax of up to 4.445 mills (the “Charter tax rate limitation”) on all taxable property in the City without further authorization from the electors, but subject to change by further action of the electors. No portion of the 4.445 mills can be preempted by any overlapping taxing subdivision. However under the Charter, the authority for the City to levy such millage to be reduced in each year by the number of mills levied by the City within the ten-mill limitation to pay debt service on unvoted general obligation bonds and BANs of the City or current operating expenses.

In the case of BANs, the highest annual debt service estimated for the anticipated bonds is used to calculate the millage required.

Revenue bonds and notes and mortgage revenue bonds, notes issued in anticipation of the collection of special assessments for City services, economic development obligations secured only by non-tax revenues and certain urban renewal bonds and tax increment bonds are not included in debt subject to

the indirect limitation since they are not general obligations of the City, and the full faith and credit and property taxing power of the City are not pledged for their payment.

The indirect limitation applies to all unvoted general obligation debt even if debt service on some of it is expected to be paid in fact from income tax revenues, special assessments, utility earnings or other sources.

If the City were to convert to the anticipated bonds the \$11,085,000 of its outstanding unvoted general obligation BANs outstanding as of December 31, 2021, at the interest rate assumed in the ordinance authorizing the BANs, the highest debt service requirement in any year for all City debt subject to the ten-mill limitation would have been an estimated \$18,358,535 in 2023. That debt included unvoted general obligation bonds outstanding or bonds anticipated by BANs outstanding. The payment of that annual debt service would require a levy of 4.8378 mills based on the City's current assessed valuation. Of this maximum annual debt service requirement, all was expected by the City to be paid from sources other than ad valorem taxes, such as municipal income tax revenues, certain loan repayments and federal interest subsidy payments; see **Debt Table C**. If those other sources for any reason were not available, the debt service could not be met from the amounts produced by the millage currently allocated to the City within the ten-mill limitation.

The total millage theoretically required by the City, the County and the Springfield Local School District (the combination of overlapping taxing subdivisions that, with the City, have the highest millage requirements for debt service on unvoted general obligation debt in any year) for their outstanding unvoted general obligation debt outstanding as of December 31, 2021 is estimated to be 6.4555 mills for 2023 (the year of the highest projected aggregate millage requirements for debt service). There thus remained 3.5445 mills within the ten-mill limitation that had yet to be allocated to debt service and that were available to the City and overlapping subdivisions in connection with the issuance of additional unvoted general obligation debt.

On August 19, 2022, the City issued \$18,000,000 of unvoted general obligation BANs to provide funds to pay costs of renovating, remodeling, equipping and re-equipping and otherwise improving the Municipal Court Building. If the City were to convert to the anticipated bonds the \$29,085,000 of its currently outstanding unvoted general obligation BANs at the interest rates assumed in the ordinances authorizing the BANs, the highest debt service requirement in any year for all City debt subject to the ten-mill limitation is estimated to be \$20,338,535 in 2023. The payment of that annual debt service would require a levy of 5.3596 mills based on the City's current assessed valuation. Of this maximum annual debt service requirement, all is expected by the City to be paid from sources other than ad valorem taxes, such as municipal income tax revenues, certain loan repayments and federal interest subsidy payments; see **Debt Table C**. If those other sources for any reason were not available, the debt service could not be met from the amounts produced by the millage currently allocated to the City within the ten-mill limitation.

The total millage theoretically required by the City, the County and the Springfield Local School District (the combination of overlapping taxing subdivisions that, with the City, have the highest millage requirements for debt service on unvoted general obligation debt in any year) for their outstanding unvoted general obligation debt (all of which was also outstanding as of September 15, 2022) is estimated to be 6.9773 mills for 2023 (the year of the highest projected aggregate millage requirements for debt service). There thus remained 3.0227 mills within the ten-mill limitation that had yet to be allocated to debt service and that were available to the City and overlapping subdivisions in connection with the issuance of additional unvoted general obligation debt.

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Debt Outstanding

The following discussions and Debt Tables provide information concerning the City's outstanding debt (bonds and notes), and projected debt service information with respect to such debt.

**DEBT TABLE A
PRINCIPAL AMOUNTS OF OUTSTANDING DEBT;
LEEWAY FOR ADDITIONAL DEBT WITHIN DIRECT DEBT LIMITATIONS
AS OF DECEMBER 31, 2021(a)(b)**

A. Total Debt:		\$ 551,960,617(a)
B. Exempt Debt:		\$ 438,810,625
	<u>Category</u>	<u>Outstanding Principal Amount</u>
	Water Revenue Bonds	\$380,300,000
	Sewer Revenue Bonds	7,220,000
	Special Assessment Services Notes(c)(d)	20,700,000
	Special Assessment Services Notes(c)(e)	20,100,000
	Final Judgment Bonds	65,625
	Nontax Revenue Debt(f)	<u>10,425,000</u>
	Total Exempt Debt	\$438,810,625
C. Total Nonexempt Debt (A minus B):		\$ 113,149,992(a)
D. 5½% of Assessed Valuation (Unvoted Debt Limitation):		\$ 208,714,035
E. Total Limited Tax Nonexempt Bonds and BANs outstanding:		
	Bonds	\$102,064,992
	BANs	11,085,000
		\$ 113,149,992
F. Debt Leeway Within 5½% Unvoted Direct Limitation (But Subject to Indirect Debt Limitation) (D minus E):		\$ 95,564,043(a)
G. 10½% of Assessed Valuation (Voted and Unvoted Debt Limitation):		\$ 398,454,067(a)
H. Total Nonexempt Bonds and BANs Outstanding:		
	Bonds	\$102,064,992
	BANs	11,085,000
		\$ 113,149,992
I. Debt Leeway Within 10½% Direct Debt Limitation (G minus H):		\$ 285,304,075

(a) On August 19, 2022, the City issued \$18,000,000 of unvoted general obligation BANs to provide funds to pay costs of renovating, remodeling, equipping and re-equipping and otherwise improving the Municipal Court Building; the BANs are not exempt from the direct debt limitations. See the table under **Statutory Direct Debt Limitations** above for the effect of the issuance of those BANs on the City's debt leeway. Also, the City has retired \$8,200,000 of the Special Assessment Notes issued for City Services provided in 2020 (on June 1, 2022) and issued \$157,425,000 of Taxable Water System Refunding Revenue Bonds, Series 2022 on August 25, 2022.

(b) Debt leeway in this table determined without considering moneys in the Bond Retirement Fund.

(c) Excluded from direct debt and indirect debt limitations. These notes are payable solely and exclusively from special assessments levied for certain City services and are to be retired in their entirety from special assessments in one year. See City Services Special Assessment Notes below.

(d) For City services provided in 2020.

(e) For City services provided in 2021.

(f) Includes the industrial development bonds described under **Economic Development Obligations** below. See **Debt Table G**.

**DEBT TABLE B
VARIOUS CITY AND OVERLAPPING
GENERAL OBLIGATION (GO) DEBT ALLOCATIONS (PRINCIPAL AMOUNTS)
AS OF DECEMBER 31, 2021**

	Amount	Per Capita(a)	% of City's Current Assessed Valuation(b)
City Nonexempt GO Debt(c)	\$113,149,992	\$ 417.73	2.98%
Total City GO Debt (Exempt and nonexempt)	113,215,617	417.97	2.98
Highest Total Overlapping GO Debt(d)(e)	264,111,370	975.04	6.96

AS OF SEPTEMBER 15, 2022

	Amount	Per Capita(a)	% of City's Current Assessed Valuation(b)
City Nonexempt GO Debt(c)	\$131,149,992	\$ 484.18	3.46%
Total City GO Debt (Exempt and nonexempt)	131,215,617	484.42	3.46
Highest Total Overlapping GO Debt(d)(e)	281,780,807	1,040.28	7.43

(a) Based on the estimated 2020 population of 270,871.

(b) The City's current assessed valuation is \$3,794,800,640.

(c) Total City GO debt, less exempt debt.

(d) Includes, in addition to "Total City GO Debt," allocations of total GO debt of overlapping debt issuing subdivisions resulting in the calculation of highest total overlapping debt based on percent of assessed valuation of territory of the subdivisions located within the City (% figures are resulting percent of total debt of subdivisions allocated to the City in this manner), as follows:

\$ 64,132,384 of County debt (41.78%) (as of December 31, 2021);

\$ 64,108,318 of County debt (41.78%) (as of September 15, 2022);

\$ 86,763,369 of Toledo City School District debt (98.87%) (as of December 31, 2021); and

\$ 86,456,872 of Toledo City School District debt (98.87%) (as of September 15, 2022).

(e) Each parcel of property within the corporate limits of the City is within only one city or local school district. This amount has been calculated using the debt of the Toledo City School District, because its debt allocable to area within the City is the highest of all the city and local school districts having territory within the corporate limits of the City.

Allocation of GO debt of the remaining overlapping debt issuing subdivisions is as follows:

\$ 12,165 of Ottawa Hills Local School District (0.15%);

\$ 1,881,361 of Maumee City School District debt (10.85%)

\$ 266,708 of Springfield Local School District debt (8.27%)

\$ 4,181,320 of Sylvania City School District debt (6.80%); and

\$ 317,900 of Sylvania Area Joint Recreational District debt (6.80%); and

\$45,934,464 of Washington Local School District debt (94.72%).

Sources of assessed valuation and GO debt figures for overlapping subdivisions: County Auditor, OMAC and Ohio Department of Taxation data.

DEBT TABLE C
DEBT SERVICE REQUIREMENTS ON CITY GENERAL OBLIGATION DEBT
DURING THE YEARS FROM 2022 THROUGH 2042

Calendar Year	Debt Service On:			Total Debt Service as of September 15, 2022	Portion of Debt Service Anticipated to be Paid From:
	Bonds Outstanding on December 31, 2021(a)	Bonds in Anticipation of Which BANs Were Outstanding on December 31, 2021(a)(b)	Bonds in Anticipation of Which BANs Were Outstanding on September 15, 2022(c)		Income Tax Revenues(d)
2022(e)	\$17,517,389	\$ 77,375	\$ 180,000	\$17,774,764	\$17,774,764
2023	17,201,701	1,156,833	1,980,000	20,338,535	20,338,535
2024	13,865,851	1,128,087	1,926,000	16,919,939	16,919,939
2025	13,660,204	1,099,342	1,872,000	16,631,545	16,631,545
2026	11,547,181	1,070,596	1,818,000	14,435,777	14,435,777
2027	11,110,881	1,041,850	1,764,000	13,916,731	13,916,731
2028	11,067,056	1,013,104	1,710,000	13,790,160	13,790,160
2029	7,267,888	984,358	1,656,000	9,908,246	9,908,246
2030	6,357,575	955,612	1,602,000	8,915,187	8,915,187
2031	4,904,163	926,867	1,548,000	7,379,029	7,379,029
2032	3,693,913	898,121	1,494,000	6,086,033	6,086,033
2033	2,301,900	869,375	1,440,000	4,611,275	4,611,275
2034	1,398,900	840,629	1,386,000	3,625,529	3,625,529
2035	1,397,700	811,883	1,332,000	3,541,583	3,541,583
2036	0	783,137	1,278,000	2,061,137	2,061,137
2037	0	754,392	1,224,000	1,978,392	1,978,392
2038	0	172,313	1,170,000	1,342,313	1,342,313
2039	0	165,700	1,116,000	1,281,700	1,281,700
2040	0	159,088	1,062,000	1,221,088	1,221,088
2041	0	152,475	1,008,000	1,160,475	1,160,475
2042	0	145,863	954,000	1,099,863	1,099,863

- (a) All such debt remains outstanding as of the date of this Annual Statement. See footnote A to **Debt Table A** for information concerning BANs issued after December 31, 2021.
- (b) Assumes the BANs outstanding on December 31, 2021 are retired with bonds dated October 1, 2022, having a first interest payment on December 1, 2022, and a first principal payment on December 1, 2023, bearing interest paid semiannually and at the interest rate per year, and maturing in equal principal installments over the number of years, referred to in the ordinance authorizing the BANs.
- (c) Assumes the BANs issued on August 19, 2022 are retired with bonds dated October 1, 2022, having a first interest payment on December 1, 2022, and a first principal payment on December 1, 2023, bearing interest paid semiannually and at the interest rate per year, and maturing in equal principal installments over the number of years, referred to in the ordinance authorizing the BANs.
- (d) Debt service is expected to be paid from the revenues indicated, but is secured by the City's ability to levy ad valorem property taxes within the ten-mill limitation imposed by law.
- (e) Amounts include \$1,940,882 of interest paid on June 1, 2022.

Debt Table D shows the principal amount of City general obligation debt outstanding as of January 1 in the years indicated (all of which was unvoted):

**DEBT TABLE D
GENERAL OBLIGATION DEBT OUTSTANDING^(a)**

Year	Exempt General Obligation	Total General Obligation ^(a)
2018	\$328,125	\$133,383,117
2019	262,500	121,637,492
2020	196,875	112,501,867
2021	131,250	117,951,242
2022	65,625	113,215,617

(a) On August 19, 2022, the City issued \$18,000,000 of unvoted general obligation BANs to provide funds to pay costs of renovating, remodeling, equipping and re-equipping and otherwise improving the Municipal Court Building.

Bond Anticipation Notes

\$11,085,000 of the unvoted general obligation debt of the City was, as of December 31, 2021, was in the form of BANs. Those BANs remain outstanding as of September 15, 2022. On August 19, 2022, the City issued \$18,000,000 of unvoted general obligation BANs to provide funds to pay costs of renovating, remodeling, equipping and re-equipping and otherwise improving the Municipal Court Building and those BANs also remain outstanding as of September 15, 2022.

As part of its debt management policy, the City expects to pay the debt service on its outstanding BANs at maturity from City municipal income tax revenues, special assessments or the proceeds of the sale of renewal BANs or the bonds anticipated, or a combination of these sources.

Debt Table E lists the City’s outstanding BANs as of January 1, 2021. These outstanding BANs, or the bonds anticipated, are reflected in **Debt Tables A, B, C and D** above.

**DEBT TABLE E
OUTSTANDING GENERAL OBLIGATION BOND ANTICIPATION NOTES
AS OF DECEMBER 31, 2021**

Description	Dated Date	Maturity Date	Interest Rate	Principal Amount
Sidewalk Improvement Notes, Series 2021	10/14/21	10/13/22	1.20%	\$2,085,000
Capital Improvement Notes, Series 2021	11/18/21	11/16/22	0.75	9,000,000

On August 19, 2022, the City issued \$18,000,000 of unvoted general obligation BANs to provide funds to pay costs of renovating, remodeling, equipping and re-equipping and otherwise improving the Municipal Court Building.

City Services Special Assessment Notes

The City has the authority to issue, and has in each year for a period in excess of 40 years issued, notes payable solely from special assessments levied to pay the cost of certain City services such as lighting, sprinkling, sweeping, cleaning, removing snow from and treating the surface of streets, alleys and other public ways in the City and planting, maintaining, trimming and removing trees in the streets. These notes are special obligations of the City. The City does not and cannot pledge ad valorem property taxes

or its full faith or credit and does not pledge any of its other revenues, except for the anticipated special assessments, for the payment of the debt charges on them. Bonds are not issued to fund these notes. The ordinance authorizing each issue of these notes appropriates the anticipated special assessments, and those assessments, are deemed to be appropriated first to the payment of the debt charges on the notes. None of the anticipated special assessments may be otherwise appropriated and used until after such debt charges have been paid. The special assessments are collected in full in one year in two semiannual installments. The real property taxes levied against any property against which those special assessments have been levied are not to be paid without also paying the special assessments. During the five most recent years, the collections of the current amount of the special assessments levied has averaged 84.7%, and the combined total of such current collections and collections of delinquent special assessments from prior years has averaged 94.9% of the current amount levied.

CURRENT AND DELINQUENT COLLECTIONS OF SPECIAL ASSESSMENTS

(In Thousands of Dollars)

Collection Year	Dollars of Current Amount		Percent of Current Levy Collected	Total of Dollars Unpaid Amount		Total Dollars Collected	Collections as a Percentage of Current Levy
	Levied	Collected		Billed	Collected		
2017	\$27,973	\$23,792	85.1%	\$18,714	\$2,972	\$26,764	95.7%
2018	26,660	21,790	81.7	21,141	3,130	24,920	93.5
2019	28,059	23,842	85.0	24,342	2,663	26,505	94.5
2020	26,733	22,740	85.1	26,512	2,690	25,430	95.1
2021	28,445	24,586	86.4	28,694	2,631	27,218	95.7

Debt Table F lists the City’s City Services Special Assessment Notes outstanding as of December 31, 2021. Except as otherwise noted, all of those Notes remain outstanding as of this date. These Notes are also reflected as exempt debt in **Debt Table A** above.

**DEBT TABLE F
OUTSTANDING CITY SERVICES SPECIAL ASSESSMENT NOTES
AS OF DECEMBER 31, 2021**

Project Year	Description	Dated Date	Maturity Date	Interest Rate	Principal Amount Outstanding
2020	City Services Special Assessment	12/08/20	06/01/22	2.173%	\$ 8,200,000
	Notes (Services 2020)(a)	12/08/20	12/01/22	2.177%	\$12,500,000
2021	City Services Special Assessment	12/01/21	06/01/23	1.360%	\$ 8,000,000
	Notes (Services 2021)(b)	12/01/21	12/01/23	1.497%	\$12,100,000

- (a) The special assessments anticipated by these Notes are being collected in 2021. The City retired the \$8,200,000 of these Notes that matured on June 1, 2022 on that date.
- (b) The special assessments anticipated by these Notes are to be collected in 2022.

Economic Development Obligations

The City has from time to time utilized its authority to issue and incur industrial development revenue obligations payable from nontax revenues of the City to support certain commercial and industrial development projects, including expansions and improvements of major manufacturing facilities in the City now owned and operated by a subsidiary of Stellantis (see **Economic and Community Development – Industry and Commerce**), the redevelopment of a former shopping mall site, a former industrial facility site, and land acquisitions and site improvements to prepare sites in the City’s Marina District and South Toledo and in the area of Stellantis’ Toledo Assembly Complex for redevelopment.

Debt Tables G and H list the City's outstanding economic development obligations payable from nontax revenues and provide related debt service information:

**DEBT TABLE G
OUTSTANDING CITY ECONOMIC DEVELOPMENT OBLIGATIONS
AS OF DECEMBER 31, 2021^(a)**

<u>Project</u>	<u>Obligation</u>	<u>Initial Amount</u>	<u>Outstanding Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Approximate Annual Debt Service^(b)</u>
A. Improvements supporting or part of expansion of facilities now owned by Fiat Chrysler Automobiles	Industrial Development Bond	\$3,725,000	\$2,785,000	5.00%	2026	\$645,700
B. Land acquisition and remediation in the Marina District	Industrial Development Bond	\$3,555,000	\$3,445,000	2.80%-5.00%	2032	\$353,400
C. Land acquisition for one or more industrial facilities	Industrial Development Bond	\$4,515,000	\$4,195,000	2.80%-5.00%	2039	\$312,700

(a) No additional economic development obligations have been issued since December 31, 2021.

(b) All of these annual debt service requirements are payable from any nontax revenues of the City if moneys from expected sources are not available for the purpose.

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DEBT TABLE H
DEBT SERVICE REQUIREMENTS ON OUTSTANDING CITY
ECONOMIC DEVELOPMENT OBLIGATIONS 2022 THROUGH 2039
AS OF DECEMBER 31, 2021(a)

Calendar Year	Total Debt Service on Nontax Revenue Bonds Outstanding on December 31, 2021	Portion of Debt Service Anticipated to be Paid From:	
		Payments in Lieu of Taxes (PILOTs)(b)	Other Nontax Revenues(c)
2022	\$1,109,376.25	\$639,250.00	\$470,126.25
2023	1,113,126.25	644,250.00	468,876.25
2024	1,119,876.25	642,750.00	477,126.25
2025	1,114,376.25	645,000.00	469,376.25
2026	1,118,463.75	645,750.00	472,713.75
2027	890,523.75	0.00	890,523.75
2028	891,513.75	0.00	891,513.75
2029	891,493.75	0.00	891,493.75
2030	890,288.75	0.00	890,288.75
2031	887,606.25	0.00	887,606.25
2032	888,768.75	0.00	888,768.75
2033	314,168.75	0.00	314,168.75
2034	311,043.75	0.00	311,043.75
2035	312,756.25	0.00	312,756.25
2036	313,812.50	0.00	313,812.50
2037	314,531.25	0.00	314,531.25
2038	309,912.50	0.00	309,912.50
2039	310,125.00	0.00	310,125.00

- (a) No additional economic development obligations have been issued by the City since December 31, 2021.
- (b) The City expects that the debt service will be paid from payments in lieu of taxes from Stellantis (successor to Fiat Chrysler Automobiles). See **Industry and Major Employers**. Based on current State law, the City anticipates that any such payments in lieu of taxes (PILOTs) that were not timely made by Stellantis would be treated in the same manner as delinquent property taxes and be a lien on the real property that was the subject of the tax exemption granted by the City. Debt service will be paid from other non-tax revenues if those PILOTs are not made.
- (c) Annual non-tax revenues (net of PILOTs) under the City’s amended budget for 2022 are estimated to be \$35,066,810.

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Utility Revenue Bonds

See the discussions under **The City – Water System** and **– Sewer System** of the City’s utility revenue bonds, all of which were outstanding as of December 31, 2021.

Long-Term Financial Obligations Other than Bonds and Notes

Ohio Water Development Authority Loans

The City has entered into loan agreements with the Ohio Water Development Authority (OWDA) pursuant to which OWDA has provided or agreed to provide loans to the City to pay costs of certain municipal wastewater collection and treatment facilities of the Sewer System. The aggregate principal amount of the City’s obligations under those OWDA loan agreements was approximately \$368,461,409 as of December 31, 2021, with an undisbursed amount available to the City of approximately \$37,484,968. See **Appendix B** and **Future Financings**. Under those agreements, the City made \$29,093,162 of loan payments in Fiscal Year 2021 and is to make a total of \$29,037,682 of loan payments in Fiscal Year 2022. Each such outstanding loan is payable in substantially equal semiannual installments. Final payments on those outstanding loans are to be made by 2041.

The payments on such OWDA loans are required to be made from the City’s Sewer System revenues after payment of operation and maintenance expenses of the Sewer System and payment of the amounts required by the trust indenture securing the Sewer Revenue Bonds. The loan agreements grant no security or property interest to OWDA in any property of the City, do not pledge the general credit of the City or create a debt subject to the direct or indirect debt limitations, and do not require the application of the general resources of the City for repayment.

Assuming that, as expected, the City draws all undisbursed available amounts under the loan agreements, the City projects that its aggregate loan payment requirements on these OWDA loans will be approximately as follows through 2041:

Period	Payments
2022	\$ 42,230,611
2023	38,223,372
2024-2028	199,198,953
2029-2033	134,123,686
2034-2038	90,302,636
2039-2041	17,210,444

The City expects to enter into a number of additional such loan agreements with OWDA over the next several years in connection with its Sewer System improvement projects. See **Sewer System – Facilities and Operations**.

Through December 31, 2021, the City had also entered into loan agreements with OWDA pursuant to which OWDA has provided nine loans to the City to pay costs of improvements to the Water System. The aggregate principal amount of the City’s obligations under those OWDA loan agreements was approximately \$162,941,655 as of December 31, 2021, with an undisbursed amount available to the City of approximately \$67,977,314. See **Appendix B**. Under those loans, the City made \$2,035,026 of loan payments in Fiscal Year 2021 and is to make \$2,035,026 of loan payments in Fiscal Year 2022. Those loans are payable in substantially equal semiannual installments. Final payments under those agreements are to be made by 2054.

The payments under those OWDA loan agreements are required to be made from the City’s Water System revenues after payment of operation and maintenance expenses of the Water System and payment of the amounts required in the trust indenture securing the Water Revenue Bonds. The loan agreements grant no security or property interest to OWDA in any property of the City, do not pledge the

general credit of the City or create a debt subject to the direct or indirect debt limitations, and do not require the application of the general resources of the City for repayment.

See **Water System – Facilities and Operations** and **Future Financings – Water System**.

The City has also entered into two loan agreements with OWDA pursuant to which OWDA has provided loans to the City to pay costs of improvements to the Storm Water Management System. The aggregate principal amount of the City's obligation under that OWDA loan agreement was approximately \$1,370,276 as of December 31, 2021. See **Appendix B**. Under that loan, the City made \$76,093 of loan payments in Fiscal Year 2021 and is to make \$75,380 of loan payments in Fiscal Year 2022. These outstanding loans are also payable in substantially equal semiannual installments. The final payments under these agreements are to be made in 2036.

The payments under that OWDA loan agreement are required to be made from the City's Storm Water Management System revenues after payment of operation and maintenance expenses of the Storm Water Management System. The loan agreement grants no security or property interest to OWDA in any property of the City, do not pledge the general credit of the City or create a debt subject to the direct or indirect debt limitations, and do not require the application of the general resources of the City for repayment.

The City expects to enter into a number of additional loan agreements with OWDA for loans over the next several years in connection with its Water System improvement projects. See **Water System – Facilities and Operations**.

Ohio EPA Loans

The Ohio EPA, together with OWDA, administers a Water Pollution Control Loan Fund (WPCLF) to provide financial and technical assistance to public entities for planning, design and construction of projects to protect or improve the quality of the State's water resources.

In 2017, the City entered into a loan agreement with OWDA pursuant to which the City borrowed \$10.3 million from the Ohio EPA's Water Pollution Control Loan Fund for the Swan Creek North Sewer Separation Project. Under that agreement, the City is to make payments aggregating \$515,000 annually for a period of 20 years, commencing in 2021 and ending in 2041, to repay the loan. The City expects to continue to make those payments from amounts in its Sewer Revenue Fund or Capital Improvement Program Fund.

In 2017, the City also entered into a loan agreement with OWDA pursuant to which the City borrowed \$50.45 million from the Ohio EPA's Water Pollution Control Loan Fund for the Downtown Combined-Sewage Overflow (CSO) Storage Basis Project. Under that agreement, the City is to make payments aggregating \$2,522,500 annually for a period of 20 years, commencing in 2021 and ending in 2040, to repay the loan. The City expects to continue to make those payments from amounts in its Sewer Revenue Fund or Capital Improvement Program Fund.

In 2018, the City also entered into a loan agreement with OWDA pursuant to which the City borrowed \$3.9 million from Ohio EPA's Water Pollution Control Loan Fund for the Paine and Fassett Regulator Modifications Project. Under that agreement, the City is to make payments aggregating \$197,174 annually for a period of 20 years, commencing in 2021 and ending in 2041, to repay the loan. The City expects to continue to make those payments from amounts in its Sewer Revenue Fund or Capital Improvement Program Fund.

The City expects to enter into Water Pollution Control Loan Fund loans over the next several years in connection with its Sewer System improvement projects. See **Sewer System – Facilities**.

The Ohio EPA, together with OWDA, administers a Water Pollution Control Loan Fund (WPCLF) and a Water Supply Revolving Loan Account (WSRLA) to provide financial and technical assistance to public entities for planning, design and construction of projects to protect or improve the

quality of the State's water resources (WPCLF) and projects that address human health and drinking water infrastructure needs (WSRLA). The City has entered into four WSRLA loan agreements with the Ohio Environmental Protection Agency pursuant to which the City has borrowed moneys to assist in its efforts to mitigate the possibility of future water events caused by algal toxins. One loan, in the initial amount of \$5.14 million, is to be repaid in equal semiannual amounts of \$257,024 payable through January 1, 2037. A second loan, in the initial amount of \$1.457 million, is to be repaid in equal semiannual amounts of \$58,310, payable through July 1, 2036. A third loan in the initial amount of \$44.77 million, obtained by the City in 2018, is to be repaid in equal semiannual amounts of \$2,238,539 starting in 2022 and payable through July 1, 2041. The fourth loan in the initial amount of \$37.844 million, obtained by the City in 2020 is to be repaid in equal semiannual amounts of \$1,892,200 starting in 2024 and payable through July 1, 2043.

These loans bear no interest and are required to be made from the City's Water System revenues after payment of operation and maintenance expenses of the Water System and payment of the amounts required by the trust indenture securing the Water Revenue Bonds. The loan agreements grant no security or property interest to Ohio EPA in any property of the City, do not pledge the general credit of the City or create a debt subject to the direct or indirect debt limitations, and do not require the application of the general resources of the City for repayment.

See **Water System – Facilities and Operations** and **Future Financings – Water System**.

Ohio Public Works Commission Issue 2 Loans

The City has entered into a number of loan agreements with the Ohio Public Works Commission pursuant to which the City has borrowed moneys to pay costs of certain street, bridge, drainage, sanitary sewer, storm sewer and water improvements. As of December 31, 2021, those loans were outstanding in the aggregate principal amount of \$15,313,983. Those loans bear no interest and are to be repaid over periods ranging from ten to twenty years from the date they are obtained. The aggregate amount payable on such loans in 2022 is \$1,474,133, of which \$572,100 is to be paid from moneys in the City's Capital Improvement Program Fund, \$112,450 from moneys in its Water Revenue Fund, \$664,122 from moneys in its Sewer Revenue Fund and \$125,461 from moneys in its Storm Water Revenue Fund. The maximum aggregate annual amount payable on such loans is \$1,493,586 in 2023.

In 2019, the City entered into a project agreement with the Ohio Public Works Commission pursuant to which the City is entitled to receive a loan in an amount not to exceed \$873,485 and a grant in an amount not to exceed \$1,708,485 for certain street improvement projects in the City.

In 2020, the City entered into project agreements with the Ohio Public Works Commission pursuant to which the City is entitled to receive loans in an amount not to exceed \$1,763,066 and grants in an amount not to exceed \$2,161,548.

In 2021, the City entered into project agreements with the Ohio Public Works Commission pursuant to which the City is entitled to receive a loan in an amount not to exceed \$1,535,200 and a grant in an amount not to exceed \$1,535,200.

In 2022, the City entered into project agreements with the Ohio Public Works Commission pursuant to which the City is entitled to receive loans in an amount not to exceed \$2,221,622 and grants in an amount not to exceed \$10,617,442.

State Infrastructure Bank Loans

The City has entered into State Infrastructure Bank loan agreements with the Ohio Department of Transportation (ODOT) pursuant to which ODOT provided to the City loans totaling \$3,967,683 to pay costs of certain street improvements in the City's Marina District. The outstanding principal amount of the City's obligations under this ODOT loan agreement was \$1,319,250 as of December 31, 2021. The aggregate amount of payments on these loans payable in 2022 is \$426,723 and payments are to decline annually. Final payments are to be made by 2024.

The City expects to make payments on the ODOT loans from the City's motor vehicle license and fuel tax revenues. The loan agreements grant no security or property interest to ODOT in any property of the City, do not pledge the general credit of the City or create a debt subject to the direct or indirect debt limitations, and do not require the application of the general resources of the City for repayment.

Lease Purchase Agreements

The City has entered into "lease-purchase agreements" to finance certain permanent improvements, such as fire trucks and other motor vehicles and equipment and the acquisition of a parcel of real estate. The payments under the lease-purchase agreements include principal and interest components and are subject to the availability and annual appropriation of funds for that purpose by the City Council. The lease-purchase agreements do not constitute debt and are thus not subject to either the direct or indirect debt limitations.

In 2016, the City entered into a lease-purchase agreement providing for the leasing and eventual acquisition of 10.68-acre site for an underground storm water storage basin. That agreement provides for a twenty-year lease term that commenced on July 1, 2015 and is to end on June 30, 2035, with annual rental payments payable annually on July 1 of each year from 2015 through 2034 in amounts that began at \$125,000 and have increased and will continue to increase by two percent each year. The payments made under this agreement in Fiscal Years 2021 and 2022 were in the amounts of \$140,770 and \$143,586, respectively, and the payment in Fiscal Year 2023 is to be in the amount of \$146,457. At the end of the term of the agreement, the title to the site is to be conveyed to the City upon a further payment in the sum of \$1 million.

In 2021, the City entered into a lease-purchase agreement providing for the leasing and acquisition of certain police vehicles. The agreement provides for a three-year lease term that commenced on July 1, 2021 and is to expire in Fiscal Year 2024. As of December 31, 2021, the aggregate amount of the principal components of the remaining lease payments contemplated to be made under the outstanding lease was approximately \$644,631. See the Notes to the Basic Financial Statements in **Appendix B**.

Lease Agreements

In 1983, the City entered into a non-cancelable long-term lease with the Ohio Department of Administrative Services (the State) for space it occupies at 640 Jackson Street, Toledo Ohio in One Government Center for its administrative operations. The 30-year lease expired on August 1, 2013, and the City and State operated under a month-to-month agreement until a new 5-year lease was signed for the period July 1, 2016 to June 30, 2021. In 2018, the State of Ohio Department of Administrative Services reached an agreement to convey One Government Center to the Toledo-Lucas County Port Authority and the City entered into an amendment to the current lease as requested by the Toledo-Lucas County Port Authority. The amendment has an initial term of ten years commencing on January 1, 2019 and expiring on December 31, 2028. The amendment contains an option for the City to renew the lease for two successive and continuous terms of five years each. The City made rental payments totaling \$1.525 million under that lease in 2021.

Other

See the Notes in **Appendix B** for information concerning the City's long-term obligations for compensated absences and landfill closure and post-closure care costs, and net pension liability, all as of December 31, 2021.

The City agreed to pay special assessments for certain energy conservation improvements made to City buildings and facilities petitioned for and levied by the City under an energy services agreement with the Port Authority and the Toledo Ohio Advanced Energy Improvement Corporation. The remaining special assessments to be paid by the City are in the annual amount of \$704,490 in each of the years from 2022 through 2026, and \$77,410 for each of the years from 2027 through 2034.

Future Financings

General Obligation Financings

The City plans to issue approximately \$1.17 million of unvoted general obligation BANs in October 2022 to provide funds to retire, together with other funds available for the purpose, \$2.085 million of maturing BANs. The City plans for those BANs to be privately placed.

The City plans to issue approximately \$43.895 million of unvoted general obligation bonds in November 2022 for the purpose of paying costs of (i) acquiring an aerial platform ladder truck and related equipment for use by the City's Department of Fire and Rescue Operations, (ii) improving the City's recreational facilities by constructing a multi-use path along the Anthony Wayne Trail between South Avenue and Glendale Avenue including paving and installing median islands, pedestrian ramps, lighting, signage and traffic signs and signalization, and acquiring necessary real estate and interests therein in connection therewith, together with the necessary related improvements and appurtenances thereto, (iii) improving the City's street system, in cooperation with the Department of Transportation of the State of Ohio and otherwise, by (A) improving streets by constructing, reconstructing and rehabilitating the pavement base, bridges, curbs, drainage improvements, driveway approaches, pedestrian ramps, bicycle paths and sidewalks, widening, realigning, adjusting radius cutbacks, manholes and catch basins, preparing the surface and surfacing and resurfacing, and installing traffic signs, signals and signalization, where necessary, and (B) improving bridges by constructing, reconstructing, replacing, rehabilitating, restoring and widening bridge decks, supporting piers, abutments, arches, beams, columns and other structural steel components and bridge bearing systems and related embankments and drainage facilities, restoring and installing expansion joints, bridge railings and traffic barrier railings and constructing, reconstructing and rehabilitating the pavement base, curbs, drainage improvements, driveway approaches, bicycle paths and sidewalks and surfacing and resurfacing the roadway on those bridges and approaches to those bridges, where necessary, in each case as designated in the plans approved or to be approved by Council and together with the necessary appurtenances and work incidental thereto, and acquiring real estate and interests in real estate in connection therewith, and (iv) refunding for debt charges savings the City's outstanding Capital Improvement and Refunding Bonds, Series 2012, dated October 9, 2012, maturing on December 1 of the years 2023 through 2028 (the Refunded Bonds), which were issued to provide funds to pay costs of (A) improving certain designated streets and bridges in the City's street system, in cooperation with the Department of Transportation of the State of Ohio and otherwise, by constructing, reconstructing and rehabilitating the pavement base, bridges, curbs, drainage improvements, driveway approaches, pedestrian ramps, bicycle paths and sidewalks, widening, adjusting radius cutbacks, manholes and catch basins, preparing the surface and surfacing and resurfacing, and installing traffic signals and signalization, where necessary, in each case together with the necessary appurtenances and work incidental thereto, and acquiring real estate and interests in real estate in connection therewith, (B) acquiring equipment for use in the collection and recycling of solid waste, (C) acquiring fire apparatus and related equipment for use in carrying out functions of the Department of Fire and Rescue, (D) acquiring and installing equipment for use in carrying out functions of the Police Department, (E) expanding and improving the City's Mulberry Park cemetery by clearing and grading, constructing roadways, water lines and storm sewers and installing street lighting and fencing, together with the necessary appurtenances and work incidental thereto, (F) renovating, rehabilitating, equipping and improving facilities at the City's Roosevelt Pool, together with the necessary appurtenances and work incidental thereto, and (G) constructing, furnishing and equipping a new Fire Station #6 and preparing, improving and equipping its site, together with the necessary appurtenances and work incidental thereto.

A portion of the proceeds received from the sale of those bonds, together with other funds available to the City, will be used to retire the City's outstanding (i) \$9,000,000 Capital Improvement Notes, Series 2021, maturing on November 16, 2022, and (ii) \$18,000,000 Municipal Court Improvement Notes, Series 2022, maturing on November 16, 2022.

At this time, the City has no plans to undertake or participate in any other new major capital improvement projects for which it plans to issue general obligation securities before the end of 2022.

City Services Special Assessment Financing

The City plans to issue approximately \$20.9 million of special obligation City Services Special Assessments Notes in December 2022, to provide funds to pay, in anticipation of the levy and collection of the special assessments, a part of the cost of the City's 2022 City Services program. The City plans for those Notes to be privately placed. See **City Services Special Assessment Notes**.

Water System Improvement Financings

On August 25, 2022, the City issued its \$157,425,000 Taxable Water System Refunding Revenue Bonds, Series 2022 (the Series 2022 Bonds), which were directly placed with a single institutional investor. The proceeds of the Series 2022 Bonds, together with other funds available for that purpose, were used to defease the outstanding principal balance of the City's Series 2013 Water Revenue Bonds. Assuming certain conditions are satisfied, the Series 2022 Bonds will be exchanged for tax-exempt Series 2023 Water System Revenue Bonds on or about February 14, 2023, which will mature on November 15, 2038. The expected net present value savings to the City over the life of the Series 2022 Bonds and Series 2023 Bonds is approximately \$18.6 million.

At this time, the City has no other plans to issue Water System Bonds or enter into long-term Water System undertakings before the end of 2022.

Sewer System Improvement Financings

At this time, the City has no plans to issue Sewer System Bonds or enter into long-term Sewer System undertakings before the end of 2022.

Nontax Revenue Financing

At this time, the City has no plans to undertake or participate in any new major capital improvement projects for which it plans to issue nontax revenue securities for the remainder of 2022.

Retirement Expenses

Present and retired employees of the City are covered under two statewide public employee retirement (including disability retirement) systems. The Ohio Police and Fire Pension Fund (OP&F) covers uniformed members of the police and fire departments. All other eligible City employees are covered by the Ohio Public Employees Retirement System (OPERS).

OPERS and OP&F are two of five statewide public employee retirement systems created by and operating pursuant to Ohio law, all of which currently have unfunded actuarial accrued liabilities. The General Assembly has the power to amend the format of those systems and to revise rates and methods of contributions to be made by public employers and their employees and eligibility criteria, benefits or benefit levels for employee members. In 2012, the General Assembly passed five separate pension reform measures intended to assist each of the five retirement systems in addressing its unfunded actuarial accrued liabilities. The reform legislation passed with respect to OPERS and OP&F provided for (i) no change in the City contribution rates with respect to its employees' earnable salaries, (ii) no change in OPERS employee contribution rate, and (iii) an increase in the OP&F employee contribution rate from 10% to 12.25% in annual increments of 0.75% that began on July 2, 2013. With certain transition provisions applicable to certain current employees, the reform legislation has, among other changes, increased minimum age and service requirements for retirement and disability benefits, revised the calculation of an employee's final average salary on which pension benefits are based to include the five highest years (rather than the three highest years), provided for OPERS pension benefits to be calculated on a lower, fixed formula, changed provisions with respect to future cost-of-living adjustments to limit those adjustments to the lesser of any increase in the Consumer Price Index or three percent. The OP&F reform legislation also authorizes the OP&F board to further adjust member contribution rates or further adjust age and service requirements after November 1, 2017, if, after an actuarial investigation, the board determines that an adjustment is appropriate.

For further information on the OPERS and OP&F pension plans, see the Notes to the Basic Financial Statements included in **Appendix B**. Financial and other information for OPERS and OP&F can also be found on the respective website for each retirement system including its Annual Comprehensive Financial Report.

City employees covered by OPERS currently contribute at a statutory rate of 10.0% of earnable salary or compensation. As the employer, the City's statutory contribution rate for those employees is 14.0% of the same base. City employees covered by OP&F currently contribute at a statutory rate of 12.25% of gross salary. As the employer, the City's statutory contribution rates, applied to the same base, are 19.5% for police personnel and 24.0% for fire personnel. These employee and employer contribution rates are the current maximums permitted under current State law.

All of the City's contributions to OPERS and OP&F have been treated as current expenses and included in the City's operating expenditures. The City's aggregate employer contributions to OPERS for the years ended December 31 in 2021, 2020, 2019, 2018, and 2017 were approximately \$11.1 million, \$10.3 million, \$10.9 million, \$10.9 million, and \$10.5 million, respectively, and were 92% of the required contributions in 2021, 92% of the required contributions in 2020, 92% of the required contributions in 2019, 92% of the required contributions in 2018, and 92% of the required contributions in 2017. The remaining 8% of the 2021 contribution was made in the first month of 2022, the remaining 8% of the 2020 contribution was made in the first month of 2021, the remaining 8% of the 2019 contribution was made in the first month of 2020, the remaining 8% of the 2018 contribution was made in the first month of 2019, and the remaining 8% of the 2017 contribution was made in the first month of 2018. The City's aggregate employer contributions to OP&F for the years ending on December 31 in 2021, 2020, 2019, 2018, and 2017 were approximately \$20.8 million, \$19.2 million, \$19.4 million, \$19.0 million, and \$18.5 million, respectively, and were 93% of the required contribution in 2021, 92% of the required contribution in 2020, 92% of the required contribution in 2019, 93% of the required contribution in 2018, and 92% of the required contribution in 2017. The remaining 7% of the 2021 contribution was made in the first month of 2022, the remaining 8% of the 2020 contribution was made in the first month of 2021, the remaining 8% of the 2019 contribution was made in the first month of 2020, the remaining 7% of the 2018 contribution was made in the first month of 2019, and the remaining 8% of the 2017 contribution was made in the first month of 2018.

The City did not "pick up" any portion of its employees' contributions to OPERS and OP&F in 2021, and no longer provides any such pick-ups.

The City's Basic Financial Statements have reflected a net pension liability determined in accordance with GASB Statement No. 68 and GASB Statement No. 71, since they were implemented beginning with Fiscal Year 2015. The City's net pension liability as of December 31, 2021 is reported and explained in the Notes to the Basic Financial Statements included in **Appendix B**.

Federal law requires City employees hired after March 31, 1986 to participate in the federal Medicare program, which requires matching employer and employee contributions, each being 1.45% of the wage base. Otherwise, City employees who are covered by a State retirement system are not currently covered under the federal Social Security Act. OPERS and OP&F are not subject to the funding and vesting requirements of the federal Employee Retirement Income Security Act of 1974.

LEGAL MATTERS

Litigation - Generally

The City is a party to various legal proceedings seeking damages or injunctive or other relief generally incidental to its operations. Those proceedings are unrelated to any outstanding City debt or the security therefor. The ultimate disposition of those proceedings is not now determinable, but will not, in the opinion of the City's Director of Law, have a material adverse effect on any outstanding City debt or the security therefor.

Under Ohio law, City moneys, accounts and investments are not subject to attachment to satisfy tort judgments against the City in State courts. Ohio law also permits the City to reduce its fiscal responsibility in tort liability by deducting all appropriate health benefits, insurance benefits (including uninsured and underinsured motorist coverage) and other benefits that a claimant may be entitled to receive due to injury or other loss. The City does not maintain a policy of liability insurance or a self-insurance fund, or participate in any self-insurance program or pool to satisfy tort liability claims. The City has in the past satisfied, and continues to satisfy, its general, motor vehicle, police, fire and emergency medical services tort liability (after the reductions described above) by relying on tax receipts and other available City revenues. Based on experience and its evaluation of pending claims, the City believes that the amount available from those sources, and unencumbered at December 31, 2021, and at the date of this Annual Statement, is sufficient to meet the claims and judgments that may arise in 2022. In addition, the City has the right to issue general obligation bonds, maturing over a maximum period of 25 years, and notes in anticipation of those bonds, to pay any final judgments which may be entered against it.

Litigation Regarding Use of Photo-Enforcement Cameras by the City and Other Municipalities

The State legislature made a number of attempts in recent years to regulate the use of photo-enforcement cameras by the City and other municipalities and political subdivisions.

After lengthy litigation, the question of the power to regulate such cameras was resolved by the Ohio Supreme Court in the case of *Village of Newburgh Heights v. State*, 2022-Ohio-1642. The City suspended operation of the system shortly after June 24, 2020. As of the date of this Annual Statement, the program remains suspended.

A civil lawsuit against the City pending in Lucas County Common Pleas Court seeks to represent a class of motorists claiming restitution on behalf of those who paid fines after receiving citations related to traffic cameras or handheld devices after July 3, 2019. The Common Pleas Court found that plaintiff could not represent the class. The matter was unsuccessfully appealed and is now back in the trial court. At this time, the City is unable to predict the extent of any potential recovery pursuant to this lawsuit.

See the information with respect to the revenues the City has received from that program in recent Fiscal Years under **Nontax Revenues**.

Bond Counsel

The City retains the legal services of Squire Patton Boggs (US) LLP as Bond Counsel in connection with the issuance of the bonds and notes of the City. Legal matters incident to the issuance of those bonds and notes and with regard to the tax-exempt status of the interest on those bonds and notes are subject to the legal opinion of that Bond Counsel.

The City has also retained the legal services of Squire Patton Boggs (US) LLP from time to time as special counsel in connection with matters that do not relate to City bonds or notes.

Squire Patton Boggs (US) LLP also serves and has served as bond counsel for one or more of the political subdivisions that territorially overlap the City.

RATINGS

Moody's Investors Service, Inc. (Moody's) and S&P Global Ratings (S&P) have assigned their ratings of "A2" and "A-," respectively, to the City's outstanding uninsured general obligation bonds and their underlying ratings of "A2" and "A-," respectively, to the City's insured outstanding general obligation bonds. No application for a rating of those bonds has been made to any other rating service.

Moody's and S&P have assigned their underlying ratings of "A3" and "A-", respectively, on all of the City's outstanding insured Nontax Revenue Bonds. No application for a rating of the Nontax Revenue Bonds has been made to any other rating service.

Fitch Ratings, Moody's and S&P have assigned their ratings of "A+," "Aa3" and "A+," respectively, to the City's outstanding Sewer Revenue Bonds, none of which are insured. No application for a rating of the Sewer Revenue Bonds has been made to any other rating service.

Moody's and S&P have assigned their underlying ratings of "Aa3" and "AA-," respectively, to the City's outstanding Water Revenue Bonds, one outstanding series of which is insured. No application for a rating of the Water Revenue Bonds has been made to any other rating service.

The ratings and assessments reflect only the views of the respective rating services, and any explanation of the meaning or significance of the rating may only be obtained from the respective rating service. The City furnished to each rating service certain information and materials, some of which have not been included in this Annual Statement, relating to the City and its outstanding obligations. Generally, rating services base their ratings on such information and materials and on their own investigations, studies, and assumptions. 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 a rating service, if in its judgment circumstances so warrant. Any lowering or withdrawal of a rating may have an adverse effect on the marketability or market value of the outstanding obligations.

The City expects to furnish the rating services with information and materials that they may request. 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 a rating on the outstanding obligations.

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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 to be such, they are made as such and not as representations of fact or certainty, and no representation is made that any of those statements have been or will be realized. Information in this Annual Statement has been derived by the City from official and other sources and is believed by the City to be accurate and reliable. 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.

Neither this Annual Statement nor any statement that may have been or that may be made orally or in writing is to be construed as or as part of a contract with the original purchasers or subsequent owners of the obligations of the City.

This Annual Statement has been prepared and delivered by the City and been duly signed for and on behalf of the City by its Mayor and its Director of Finance.

CITY OF TOLEDO, OHIO

By: /s/ Wade Kapszukiewicz
Mayor

By: /s/ Melanie Campbell
Interim Director of Finance

APPENDIX A

Comparative Modified Accrual Basis Summary of General Fund Revenues, Expenditures and Balances for Fiscal Years 2017 through 2021 (Actual) and Fiscal Year 2022 (Budgeted)

(amounts in thousands)

	2017(a)	2018(a)	2019(a)	2020(a)	2021(a)	Budgeted 2022(b)
REVENUES:						
Income Tax	\$176,362	\$183,618	\$189,434	\$181,695	\$191,447(c)	\$215,000
Property Taxes	12,025	12,223	12,642	12,956	12,985	12,775
Licenses and Permits	2,942	3,213	2,963	2,627	3,201	3,625
Intergovernmental	18,878	17,808	18,590	17,186	20,984	20,017
Charges for Services	29,299	28,482	28,848	27,677	26,420	27,272
Investment Earnings	462	1,469	2,190	1,530	1,977	1,076
(Decrease) in fair value of investments	0	0	0	0	(2,206)	0
Fines and Forfeitures	9,845	10,150	9,317	4,713	2,408	2,506
Lease Revenue	0	0	0	0	98	0
All Other Revenue	1,155	2,664	3,565	552	1,479	587
Total Revenues	\$250,968	\$259,627	\$267,549	\$248,936	\$258,793	\$282,858
EXPENDITURES						
Current:						
General Government	\$ 23,282	\$ 24,519	\$ 25,821	\$ 25,253	\$ 28,283	\$ 34,602
Public Service	1,507	1,683	1,926	4,557	3,418	2,036
Public Safety	163,427	159,658	174,308	149,666(g)	191,003(g)	179,207(g)
Public Utility	0	0	0	0	0	125
Community Environment	5,061	5,411	6,701	7,122	9,929	13,682
Health	8,138	8,039	8,804	8,371	8,856	10,333
Parks and Recreation	2,502	2,926	3,066	2,197	4,082	6,178
Capital Outlay	0	0	0	0	3	0
Debt Service						
Principal Retirement	618	644	671	698	147	0
Interest & Fiscal Charges	79	60	41	20	3	0
Total Expenditures	\$204,615	\$202,940	\$221,338	\$197,884	\$245,724	\$246,163
Excess (Deficiency) of Revenues over Expenditures	\$ 46,353	\$ 56,687	\$ 46,211	\$ 51,052	\$ 13,069	\$ 36,695
Other Financing Sources (Uses):						
Transfers In	\$ 5,419	\$ 1,288	\$ 1,470	\$26,818	2,287	9,975
Transfers (Out)(d)	(45,526)	(40,228)	(42,152)	(40,047)	(45,520)	(47,181)
Sale of Capital Assets	151	110	306	0	71	0
TOTAL OTHER FINANCING SOURCES AND (USES)	\$ (39,956)	\$ (38,830)	\$ (40,376)	\$ (13,229)	\$ (43,162)	\$ (37,206)
Net Change in Fund Balance	\$ 6,397	\$ 17,857	\$ 5,835	\$ 37,823	\$ (30,093)	\$ (511)
Fund Balance (Deficit) at Beginning of Year(e)	\$ 15,754	\$ 22,188	\$ 40,658(f)	\$ 46,622	\$ 84,635	\$ 54,687
Reserve for Inventory	37	443	129	190	145	0
Fund Balance (Deficit) at Year-End(e)	\$ 22,188	\$ 40,488(f)	\$ 46,622(f)	\$ 84,635	\$ 54,687	\$ 54,176

(a) Audited.

(b) Amended budgeted numbers approved on September 13, 2022.

(c) Does not include proceeds of the new temporary ¼% income tax that are required to be placed in a separate fund and used only to pay costs of improving the City's system of roads, streets and bridges, including related debt charges.

(d) Amounts include mandatory and discretionary transfers of municipal income tax revenues to the City's Capital Improvements Fund.

(e) Total fund balances. See **Appendix B** for information concerning restricted amounts and reserves.

(f) A restatement of the ending Fiscal Year 2018 Fund Balance was required to reflect the City's implementation of GASB Statement No. 84 relating to the reporting of fiduciary activities. Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. As a result, after reviewing its agency funds, the City determined that certain of those funds should be reclassified as a component of the General Fund. Accordingly, the General Fund balance as of December 31, 2018 was increased by \$170 (from \$40,488 to \$40,658).

(g) Variability in Fiscal Years 2020 and 2021 and budgeted for Fiscal Year 2022 reflects, in part, the use of CARES Act resources from the City's CARES Act Fund for police and fire department overtime and other related labor costs. See **CARES Act Resources**.

APPENDIX B

**Basic Financial Statements from the City's
Annual Comprehensive Financial Report for Fiscal Year 2021
(Audited)**

OHIO AUDITOR OF STATE
KEITH FABER



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IPAReport@ohioauditor.gov
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Members of Council
City of Toledo
One Government Center
Suite 2050
Toledo, Ohio 43604

We have reviewed the *Independent Auditors' Report* of the City of Toledo, Lucas County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2021 through December 31, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Toledo is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 18, 2022

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INDEPENDENT AUDITORS' REPORT

To the Honorable Wade Kapszukiewicz, Mayor and Members of City Council
City of Toledo, Ohio:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toledo, Ohio (the "City") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principles

As described in Note 16 to the basic financial statements, the City adopted Governmental Accounting Standards Board Statement No. 87, *Leases*, Governmental Accounting Standards Board Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Maumee, Ohio

June 30, 2022

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City of Toledo, Ohio
Statement of Net Position
December 31, 2021
(Amounts in Thousands)

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents with Treasurer/Treasury	\$ 7,016	\$ 21,586	\$ 28,602
Cash and cash equivalents held by escrow agent	-	35,539	35,539
Cash and cash equivalents - other	265	190	455
Investments	137,990	193,597	331,587
Restricted investments	95,255	138,489	233,744
Receivables (net of allowances)	120,866	68,177	189,043
Due from other governments	18,863	-	18,863
Internal balances	11,645	(11,645)	-
Prepaid items	3,638	16	3,654
Inventory	9,382	5,399	14,781
Lease receivable	1,152	-	1,152
Net OPEB asset (Note 14)	6,052	3,423	9,475
Capital assets:			
Land and construction in progress	185,474	458,636	644,110
Other capital assets, net of accumulated depreciation	366,327	909,446	1,275,773
Total assets	<u>963,925</u>	<u>1,822,853</u>	<u>2,786,778</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	52	52
Pension (Note 13)	43,822	4,483	48,305
OPEB (Note 14)	26,056	1,980	28,036
Total deferred outflows of resources	<u>69,878</u>	<u>6,515</u>	<u>76,393</u>
LIABILITIES			
Accounts payable	35,595	7,908	43,503
Customer deposits	5,267	1,887	7,154
Accrued wages and benefits	2,548	-	2,548
Retainage payable	1,016	6,238	7,254
Due to other governments	-	71	71
Accrued interest payable	689	7,369	8,058
Other current liabilities	11,443	-	11,443
Notes payable	51,185	700	51,885
Unearned revenue	84,968	-	84,968
Long-term liabilities:			
Due within one year	15,940	47,732	63,672
Due in more than one year:			
Net pension liability (Note 13)	310,012	28,505	338,517
Net OPEB liability (Note 14)	40,350	-	40,350
Other amounts due in more than one year	153,731	921,316	1,075,047
Total liabilities	<u>712,744</u>	<u>1,021,726</u>	<u>1,734,470</u>
DEFERRED INFLOWS OF RESOURCES			
Revenues levied for the next year	13,480	-	13,480
Deferred charge on refunding	-	805	805
Leases	1,142	-	1,142
Pension (Note 13)	54,973	13,165	68,138
OPEB (Note 14)	36,389	10,989	47,378
Total deferred inflows of resources	<u>105,984</u>	<u>24,959</u>	<u>130,943</u>
NET POSITION			
Net investment in capital assets	426,609	541,190	967,799
Restricted for:			
Debt service	206	11,894	12,100
Replacement	-	27,631	27,631
Capital improvement	72,075	6,327	78,402
Community programs	12,601	-	12,601
Other purposes	18,277	-	18,277
Unrestricted (deficit)	(314,693)	195,641	(119,052)
Total net position	<u>\$ 215,075</u>	<u>\$ 782,683</u>	<u>\$ 997,758</u>

See accompanying notes to the basic financial statements.

City of Toledo, Ohio
Statement of Activities
For the Year Ended December 31, 2021
(Amounts in Thousands)

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 29,443	\$ 18,225	\$ 284	\$ -
Public service	35,965	24,393	412	8,246
Public safety	192,493	10,549	8,644	-
Public utilities	17,501	-	623	-
Community environment	35,725	4,854	21,372	11,767
Health	4,531	12,151	1,879	-
Parks and recreation	6,467	80	1,725	401
Interest and fiscal charges	4,888	-	-	-
Total governmental activities	327,013	70,252	34,939	20,414
Business-type activities:				
Water	57,479	84,019	-	113
Sewer	56,204	90,678	-	477
Utilities administration	9,000	14,365	-	-
Storm utility	4,680	8,914	-	26
Property management	1,068	-	-	-
Small business development	1	-	-	-
Municipal tow lot	1,107	2,916	-	-
Toledo public power	801	738	-	-
Total business-type activities	130,340	201,630	-	616
Total	\$ 457,353	\$ 271,882	\$ 34,939	\$ 21,030

General revenues:

Income taxes
Property taxes
Investment earnings
(Decrease) in fair value of investments
Intergovernmental services
Gain on forgiveness of debt
Gain on disposal of capital assets
Other revenue
Transfers
Total general revenues and transfers
Change in net position
Net position at January 1
Net position at December 31

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (10,934)	\$ -	\$ (10,934)
(2,914)	-	(2,914)
(173,300)	-	(173,300)
(16,878)	-	(16,878)
2,268	-	2,268
9,499	-	9,499
(4,261)	-	(4,261)
(4,888)	-	(4,888)
<u>(201,408)</u>	<u>-</u>	<u>(201,408)</u>
-	26,653	26,653
-	34,951	34,951
-	5,365	5,365
-	4,260	4,260
-	(1,068)	(1,068)
-	(1)	(1)
-	1,809	1,809
-	(63)	(63)
<u>-</u>	<u>71,906</u>	<u>71,906</u>
<u>(201,408)</u>	<u>71,906</u>	<u>(129,502)</u>
212,867	-	212,867
14,940	-	14,940
2,590	3,902	6,492
(3,349)	(4,920)	(8,269)
31,351	-	31,351
650	-	650
13	123	136
1,470	-	1,470
979	(979)	-
<u>261,511</u>	<u>(1,874)</u>	<u>259,637</u>
<u>60,103</u>	<u>70,032</u>	<u>130,135</u>
<u>154,972</u>	<u>712,651</u>	<u>867,623</u>
<u>\$ 215,075</u>	<u>\$ 782,683</u>	<u>\$ 997,758</u>

City of Toledo, Ohio
Balance Sheet
Governmental Funds
December 31, 2021
(Amounts in Thousands)

	General	Capital Improvements	Special Assessments Services	Local Fiscal Recovery Grant
ASSETS				
Cash and cash equivalents with Treasurer	\$ 7,016	\$ -	\$ -	\$ -
Cash and cash equivalents - other	186	-	-	-
Investments	137,886	104	-	-
Restricted investments	3,828	565	515	89,664
Receivables (net of allowances)	52,612	1,563	53,156	151
Lease receivable	1,152	-	-	-
Due from other:				
Funds	-	59,033	-	-
Governments	5,556	-	-	-
Inventory of supplies	2,096	939	4,196	-
Total assets	\$ 210,332	\$ 62,204	\$ 57,867	\$ 89,815
LIABILITIES				
Accounts payable	\$ 24,121	\$ 591	\$ 1,102	\$ 154
Deposits	2,896	19	-	-
Accrued wages and benefits payable	2,547	-	-	-
Compensated absences payable	284	-	20	-
Retainage payable	-	666	-	-
Due to other:				
Funds	91,763	-	17,954	5,244
Unearned revenue	-	-	-	84,968
Notes payable	-	8,300	40,800	-
Total liabilities	121,611	9,576	59,876	90,366
DEFERRED INFLOWS OF RESOURCES				
Leases	1,142	-	-	-
Revenues levied for the next year and unavailable revenue	32,892	-	53,011	-
Total deferred inflows of resources	34,034	-	53,011	-
FUND BALANCES				
Nonspendable	2,096	939	4,196	-
Restricted	3,828	51,689	515	-
Committed	12,447	-	-	-
Assigned	4,723	-	-	-
Unassigned (deficit)	31,593	-	(59,731)	(551)
Total fund balances (deficit)	54,687	52,628	(55,020)	(551)
Total liabilities, deferred inflows of resources, and fund balances	\$ 210,332	\$ 62,204	\$ 57,867	\$ 89,815

See accompanying notes to the basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 7,016
79	265
-	137,990
683	95,255
11,882	119,364
-	1,152
52,645	111,678
13,307	18,863
1,258	8,489
<u>\$ 79,854</u>	<u>\$ 500,072</u>
\$ 4,560	\$ 30,528
2,351	5,266
1	2,548
4	308
350	1,016
12,629	127,590
-	84,968
2,085	51,185
<u>21,980</u>	<u>303,409</u>
-	1,142
8,007	93,910
<u>8,007</u>	<u>95,052</u>
1,941	9,172
56,333	112,365
1,924	14,371
-	4,723
(10,331)	(39,020)
<u>49,867</u>	<u>101,611</u>
<u>\$ 79,854</u>	<u>\$ 500,072</u>

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City of Toledo, Ohio
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2021
(Amounts in Thousands)

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances for governmental funds	\$	101,611	
Capital assets used in governmental activities (excluding those reported in the internal service funds) are not financial resources and therefore are not reported in the funds			541,158
Revenue will be collected beyond the 60 day period used in the governmental fund statements. Revenue and the corresponding receivable are included in the government-wide statements			
Special assessments	\$	54,158	
Income taxes		10,629	
Delinquent property taxes		5,804	
Capital grants		507	
Operating grants		743	
Intergovernmental services/reimbursements		8,589	80,430
Internal service funds are used by the City to account for the financing of goods or services provided by one department or agency to the other City departments or agencies, generally on a cost reimbursement basis. The assets, liabilities, and deferred outflows/inflows of the internal service funds are included in governmental activities in the statement of net position.			16,409
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net position. The City's long-term obligations (excluding those reported in the internal service funds) are:			
General obligation bonds		(102,239)	
Non-taxable revenue bonds		(10,836)	
Compensated absences		(35,154)	
Loans outstanding from state agencies		(5,585)	
Lease-purchase note payable		(645)	
Lease payable		(59)	
Subscription-based information technology arrangements payable		(2,132)	
Accrued interest		(689)	
Landfill closure		(10,027)	(167,366)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds (excluding the portion reported in the internal service funds).			
Deferred outflows-pensions		42,576	
Deferred inflows-pensions		(51,962)	
Net pension liability		(304,285)	(313,671)
The net OPEB liability is not due and payable in the current period, the net OPEB asset is not available for current expenses; therefore, the liability, asset, and related deferred inflows/outflows are not reported in governmental funds (excluding the portion reported in the internal service funds).			
Deferred outflows-OPEB		25,441	
Deferred inflows-OPEB		(33,951)	
Net OPEB asset		5,364	
Net OPEB liability		(40,350)	(43,496)
Total net position of governmental activities			\$ 215,075

See accompanying notes to the basic financial statements.

City of Toledo, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021
(Amounts in Thousands)

	General	Capital Improvements	Special Assessments Services	Local Fiscal Recovery Grant
REVENUES				
Income taxes	\$ 191,447	\$ -	\$ -	\$ -
Property taxes	12,985	-	-	-
Special assessments	-	-	27,846	-
Licenses and permits	3,201	-	-	-
Intergovernmental services	20,984	-	-	5,506
Charges for services	26,420	-	-	-
Investment earnings	1,977	14	7	592
(Decrease) in fair value of investments	(2,206)	-	-	(1,143)
Fines and forfeitures	2,408	-	-	-
Grants	-	8,682	-	-
Lease revenue	98	-	-	-
Other revenue	1,479	-	-	-
Total revenues	258,793	8,696	27,853	4,955
EXPENDITURES				
Current:				
General government	28,283	73	1,062	284
Public service	3,418	-	23,523	412
Public safety	191,003	-	-	4,175
Public utilities	-	2	-	535
Community environment	9,929	-	-	65
Health	8,856	-	334	4
Parks and recreation	4,082	-	-	9
Capital outlay	3	38,242	-	22
Debt service:				
Principal retirement	147	2,094	-	-
Interest and fiscal charges	3	411	861	-
Note issuance costs	-	35	-	-
Total expenditures	245,724	40,857	25,780	5,506
Excess (deficiency) of revenues over (under) expenditures	13,069	(32,161)	2,073	(551)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,287	45,098	-	-
Transfers (out)	(45,520)	(19,059)	-	-
Issuance of lease-purchase note	-	828	-	-
Issuance of loans	-	519	-	-
Premium on note issued	-	45	-	-
Inception of subscription-based information technology arrangement	-	1,438	-	-
Sale of capital assets	71	602	28	-
Total other financing sources (uses)	(43,162)	29,471	28	-
Net change in fund balances	(30,093)	(2,690)	2,101	(551)
Fund balances (deficit) at January 1	84,635	55,605	(57,921)	-
Increase (decrease) in inventory	145	(287)	800	-
Fund balances (deficit) at December 31	\$ 54,687	\$ 52,628	\$ (55,020)	\$ (551)

See accompanying notes to the basic financial statements.

Nonmajor Governmental Funds		Total Governmental Funds	
\$	19,728	\$	211,175
	-		12,985
	202		28,048
	-		3,201
	18,985		45,475
	1,699		28,119
	2		2,592
	-		(3,349)
	1,367		3,775
	36,319		45,001
	-		98
	4,672		6,151
	<u>82,974</u>		<u>383,271</u>
	533		30,235
	14,697		42,050
	3,130		198,308
	644		1,181
	30,136		40,130
	1,553		10,747
	1,450		5,541
	16,207		54,474
	12,906		15,147
	4,267		5,542
	-		35
	<u>85,523</u>		<u>403,390</u>
	<u>(2,549)</u>		<u>(20,119)</u>
	19,190		66,575
	(1,017)		(65,596)
	-		828
	-		519
	-		45
	-		1,438
	144		845
	<u>18,317</u>		<u>4,654</u>
	15,768		(15,465)
	33,990		116,309
	109		767
\$	<u>49,867</u>	\$	<u>101,611</u>

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City of Toledo, Ohio
Reconciliation of the Statement of Revenues, Expenditures and Changes in Governmental Fund Balances
to the Statement of Activities
For the Year Ended December 31, 2021
(Amounts in Thousands)

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances for governmental funds		\$ (15,465)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets, which meet the capitalization requirement, is allocated over their estimated useful lives and reported as depreciation/amortization expense (excluding internal service fund activity):		
Capital asset additions	\$ 52,369	
Depreciation/amortization expense	<u>(25,612)</u>	26,757
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, trade-ins, and donations) is to decrease net position (excludes internal service funds activity).		(5,454)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The amount of this net effect of the reversal of prior year items against current year accruals:		
Special assessments	(2,677)	
Income taxes	1,692	
Delinquent property taxes	1,955	
Capital grants	114	
Operating grants	213	
Intergovernmental services/reimbursements	<u>906</u>	2,203
The long-term liability for compensated absences is not recorded in the funds, but is reported in the statement of activities. This amount is the current year change in the liability, reported as an expense in the statement of activities.		(2,997)
The long-term liability for landfill closure is not recorded in the funds, but is reported in the statement of activities. This amount is the current year change in the liability, reported as an expense in the statement of activities.		5,836
The issuances of loans, notes, and subscription-based information technology arrangements (SBITA's) are reported as an other financing source in the funds, however, the statement of activities, they are not reported as revenue as they increase liabilities on the statement of net position (excluding internal service funds activity).		
Loans	(519)	
Notes	(828)	
SBITAs	<u>(1,438)</u>	(2,785)
Repayment of bond, loan, lease and SBITA principal is an expenditure in the governmental funds, but the repayment reduces liabilities on the statement of net position (excluding internal service funds activity).		15,135
Forgiveness of debt is not reported in the governmental funds, but reduces liabilities on the statement of net position.		650
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		767
In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in the funds, an interest expenditure is reported when due.		
(Increase) in accrued interest payable	(231)	
Amortization of bond premiums	<u>1,012</u>	781
Internal service funds are used by management to charge costs to individual funds. The net revenue/(expenses) of certain activities of internal service funds is reported with governmental activities.		(3,439)
Contractually required pension and OPEB contributions are reported as expenditures in the funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	27,071	
OPEB	<u>491</u>	27,562
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability and net OPEB liability/(asset) are reported as pension expense and OPEB expense, respectively, in the statement of activities.		
Pension	(18,581)	
OPEB	<u>29,133</u>	<u>10,552</u>
Changes in net position of governmental activities		<u>\$ 60,103</u>

See accompanying notes to the basic financial statements.

City of Toledo, Ohio
Statement of Net Position
Proprietary Funds
December 31, 2021
(Amounts in Thousands)

	Business-Type Activities			
	Water	Sewer	Utility Administrative Services	Nonmajor Enterprise Funds
ASSETS				
<u>Current:</u>				
Cash and cash equivalents with Treasury	\$ 8,787	\$ 6,716	\$ 5,738	\$ 345
Cash and cash equivalents held by escrow agent	33,966	1,573	-	-
Cash and cash equivalents - other	1	-	189	-
Investments	19,077	26,483	-	5,470
Restricted investments	57,391	781	-	396
Receivables (net of allowances)	19,784	41,365	495	6,533
Interfund loans receivable	41,645	-	-	-
Due from other:				
Funds	-	66,318	6,240	992
Prepaid items	-	14	2	-
Inventory of supplies	4,499	900	-	-
Total current assets	<u>185,150</u>	<u>144,150</u>	<u>12,664</u>	<u>13,736</u>
<u>Noncurrent:</u>				
Investments	66,088	40,463	-	36,016
Restricted investments	79,921	-	-	-
Net OPEB asset (Note 14)	1,179	1,191	717	336
Capital assets:				
Land and construction in progress	371,236	83,253	-	4,147
Other capital assets, net of accumulated depreciation	263,163	610,491	93	35,699
Total noncurrent assets	<u>781,587</u>	<u>735,398</u>	<u>810</u>	<u>76,198</u>
Total assets	<u>966,737</u>	<u>879,548</u>	<u>13,474</u>	<u>89,934</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension (Note 13)	1,612	1,400	1,078	393
OPEB (Note 14)	725	585	504	166
Deferred charge on refunding	47	5	-	-
Total deferred outflows of resources	<u>2,384</u>	<u>1,990</u>	<u>1,582</u>	<u>559</u>
LIABILITIES				
<u>Current:</u>				
Accounts payable	3,000	3,012	914	982
Customer deposits	1,185	652	-	50
Retainage payable	5,273	905	-	60
Due to other:				
Funds	84,355	-	-	840
Governments	6	59	-	6
Interfund loans payable	-	41,645	-	-
Accrued interest payable	2,046	5,283	-	40
Other current liabilities	-	-	-	-
Notes payable	-	-	-	700
Current portion of:				
Compensated absences payable	12	7	55	-
Bonds, loans, and notes payable, net	15,651	30,991	-	1,016
Total current liabilities	<u>111,528</u>	<u>82,554</u>	<u>969</u>	<u>3,694</u>
<u>Noncurrent:</u>				
Compensated absences payable	1,617	1,902	1,004	500
Bonds, loans, and notes payable, net	551,518	356,387	-	8,388
Net pension liability (Note 13)	9,815	9,918	5,972	2,800
Total noncurrent liabilities	<u>562,950</u>	<u>368,207</u>	<u>6,976</u>	<u>11,688</u>
Total liabilities	<u>674,478</u>	<u>450,761</u>	<u>7,945</u>	<u>15,382</u>
DEFERRED INFLOWS OF RESOURCES				
Pension (Note 13)	4,665	4,583	2,579	1,338
OPEB (Note 14)	3,858	3,825	2,195	1,111
Deferred charge on refunding	805	-	-	-
Total deferred inflows of resources	<u>9,328</u>	<u>8,408</u>	<u>4,774</u>	<u>2,449</u>
NET POSITION				
Net investment in capital assets	198,511	306,247	93	36,339
Restricted:				
Debt service	4,879	6,974	-	41
Replacement	12,477	14,157	-	997
Capital improvement	767	100	-	5,460
Unrestricted	68,681	94,891	2,244	29,825
Total net position	<u>\$ 285,315</u>	<u>\$ 422,369</u>	<u>\$ 2,337</u>	<u>\$ 72,662</u>

See accompanying notes to the basic financial statements.

		Governmental Activities	
Total Enterprise Funds		Internal Services Funds	
\$	21,586	\$	-
	35,539		-
	190		-
	51,030		-
	58,568		-
	68,177		1,502
	41,645		-
	73,550		29,014
	16		3,638
	5,399		893
	<u>355,700</u>		<u>35,047</u>
	142,567		-
	79,921		-
	3,423		688
	458,636		350
	909,446		10,293
	<u>1,593,993</u>		<u>11,331</u>
	<u>1,949,693</u>		<u>46,378</u>
	4,483		1,246
	1,980		615
	52		-
	<u>6,515</u>		<u>1,861</u>
	7,908		5,067
	1,887		1
	6,238		-
	85,195		1,457
	71		-
	41,645		-
	7,369		-
	-		11,443
	700		-
	74		6
	47,658		175
	<u>198,745</u>		<u>18,149</u>
	5,023		-
	916,293		2,505
	28,505		5,727
	<u>949,821</u>		<u>8,232</u>
	<u>1,148,566</u>		<u>26,381</u>
	13,165		3,011
	10,989		2,438
	805		-
	<u>24,959</u>		<u>5,449</u>
	541,190		7,262
	11,894		-
	27,631		-
	6,327		-
	195,641		9,147
\$	<u>782,683</u>	\$	<u>16,409</u>

City of Toledo, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year ended December 31, 2021
(Amounts in Thousands)

	Business-Type Activities			
	Water	Sewer	Utility Administrative Services	Nonmajor Enterprise Funds
OPERATING REVENUES				
Charges for services	\$ 84,017	\$ 90,486	\$ 14,365	\$ 12,306
Other revenue	2	192	-	262
Total operating revenue	<u>84,019</u>	<u>90,678</u>	<u>14,365</u>	<u>12,568</u>
OPERATING EXPENSES				
Personnel services	7,340	6,644	4,778	1,198
Contractual services	17,813	12,729	3,396	3,038
Materials and supplies	6,485	3,513	789	324
Utilities	3,127	3,369	35	813
Depreciation	7,052	17,261	2	1,092
Other	-	-	-	865
Total operating expenses	<u>41,817</u>	<u>43,516</u>	<u>9,000</u>	<u>7,330</u>
Operating income (loss)	<u>42,202</u>	<u>47,162</u>	<u>5,365</u>	<u>5,238</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	2,192	979	-	731
(Decrease) in fair value of investments	(2,925)	(1,145)	-	(850)
Interest expense and fiscal charges	(15,662)	(12,688)	-	(327)
Gain (loss) on disposal of capital assets	40	68	-	15
Total nonoperating revenues (expenses)	<u>(16,355)</u>	<u>(12,786)</u>	<u>-</u>	<u>(431)</u>
Income (loss) before transfers and contributions	<u>25,847</u>	<u>34,376</u>	<u>5,365</u>	<u>4,807</u>
Capital contributions	113	477	-	26
Transfers in	2,538	2,767	-	1,364
Transfers (out)	(146)	(75)	(5,605)	(1,822)
Change in net position	28,352	37,545	(240)	4,375
Net position at January 1	256,963	384,824	2,577	68,287
Net position at December 31	<u>\$ 285,315</u>	<u>\$ 422,369</u>	<u>\$ 2,337</u>	<u>\$ 72,662</u>

See accompanying notes to the basic financial statements.

<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Services Funds</u>
\$ 201,174	\$ 66,414
456	273
<u>201,630</u>	<u>66,687</u>
19,960	4,573
36,976	55,878
11,111	5,272
7,344	2,839
25,407	1,452
865	-
<u>101,663</u>	<u>70,014</u>
<u>99,967</u>	<u>(3,327)</u>
3,902	-
(4,920)	-
(28,677)	(125)
123	13
<u>(29,572)</u>	<u>(112)</u>
<u>70,395</u>	<u>(3,439)</u>
616	-
6,669	-
<u>(7,648)</u>	<u>-</u>
70,032	(3,439)
712,651	19,848
<u>\$ 782,683</u>	<u>\$ 16,409</u>

City of Toledo, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year ended December 31, 2021
(Amounts in Thousands)

	Business-Type Activities			
	Water	Sewer	Utility Administrative Services	Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 77,896	\$ 71,040	\$ 4,454	\$ 13,520
Cash paid to employees	(15,700)	(15,988)	(9,717)	(4,102)
Cash paid to suppliers	(26,556)	(15,906)	(4,128)	(2,704)
Other receipts	2	192	-	262
Net cash provided by (used in) operating activities	<u>35,642</u>	<u>39,338</u>	<u>(9,391)</u>	<u>6,976</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	-	1,064
Transfers (out)	(146)	(75)	-	(1,822)
Net cash (used in) noncapital financing activities	<u>(146)</u>	<u>(75)</u>	<u>-</u>	<u>(758)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants	113	477	-	26
Purchases of property, plant and equipment	(79,602)	(11,491)	-	(1,599)
Sale of capital assets	40	-	-	-
Principal payments	(67,562)	(31,336)	-	(1,179)
Issuance of bonds, loans, and notes	96,894	1,688	-	700
Interest and fiscal charges paid on bonds, loans, and notes	(18,339)	(12,746)	-	(329)
Net cash (used in) capital and related financing activities	<u>(68,456)</u>	<u>(53,408)</u>	<u>-</u>	<u>(2,381)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	149,334	33,810	-	4,212
Purchase of investments	(111,830)	(33,742)	-	(9,723)
Investment income received on investments	(734)	(166)	-	(118)
Net cash provided by (used in) investing activities	<u>36,770</u>	<u>(98)</u>	<u>-</u>	<u>(5,629)</u>
Change in cash and cash equivalents	3,810	(14,243)	(9,391)	(1,792)
Cash and cash equivalents at January 1	38,944	22,532	15,318	2,137
Cash and cash equivalents at December 31	<u>\$ 42,754</u>	<u>\$ 8,289</u>	<u>\$ 5,927</u>	<u>\$ 345</u>
Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 42,202	\$ 47,162	\$ 5,365	\$ 5,238
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	7,052	17,261	2	1,092
Change in assets, liabilities, deferred outflows and deferred inflows:				
Decrease (increase) in receivables	(6,121)	(18,389)	(247)	1,306
Decrease (increase) in due from other funds	(834)	(1,057)	(9,664)	1,772
Decrease in prepaid expenses	-	-	-	-
Decrease (increase) in inventory of supplies	(813)	484	17	-
Increase in accounts payable and customer deposits	337	3,095	74	472
Increase (decrease) in retainage payable	1,372	67	-	(10)
Increase in due to other governments	6	59	-	6
Increase in other current liabilities	805	-	-	-
(Decrease) in compensated absences payable	(41)	(55)	(52)	(20)
Decrease in deferred outflows - pension	1,077	649	498	188
Increase in deferred inflows - pension	1,643	1,348	746	270
(Decrease) in net pension liability	(3,878)	(3,732)	(1,855)	(1,112)
(Increase) in net OPEB asset	(1,179)	(1,191)	(717)	(336)
Decrease in deferred outflows - OPEB	1,142	920	598	282
Increase in deferred inflows - OPEB	2,412	2,226	1,297	555
(Decrease) in net OPEB liability	(9,540)	(9,509)	(5,453)	(2,727)
Net cash provided by (used in) operating activities	<u>\$ 35,642</u>	<u>\$ 39,338</u>	<u>\$ (9,391)</u>	<u>\$ 6,976</u>

See accompanying notes to the basic financial statements.

		Governmental Activities	
Total Enterprise Funds		Internal Services Funds	
\$	166,910	\$	68,035
	(45,507)		(9,421)
	(49,294)		(58,056)
	456		273
	<u>72,565</u>		<u>831</u>
	1,064		-
	(2,043)		-
	<u>(979)</u>		<u>-</u>
	616		-
	(92,692)		(195)
	40		-
	(100,077)		(516)
	99,282		-
	<u>(31,414)</u>		<u>(120)</u>
	<u>(124,245)</u>		<u>(831)</u>
	187,356		-
	(155,295)		-
	<u>(1,018)</u>		<u>-</u>
	31,043		-
	(21,616)		-
	78,931		-
\$	<u>57,315</u>	\$	<u>-</u>
\$	99,967	\$	(3,327)
	25,407		1,452
	(23,451)		(61)
	(9,783)		(51)
	-		556
	(312)		24
	3,978		2,734
	1,429		-
	71		-
	805		4,371
	(168)		(60)
	2,412		408
	4,007		967
	(10,577)		(2,045)
	(3,423)		(688)
	2,942		536
	6,490		1,430
	<u>(27,229)</u>		<u>(5,415)</u>
\$	<u>72,565</u>	\$	<u>831</u>

City of Toledo, Ohio
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2021
(Amounts in Thousands)

	Custodial Funds
ASSETS	
Cash and cash equivalents - other	\$ 689
Receivables (net of allowances)	19,472
Total assets	20,161
LIABILITIES	
Due to other:	
Governments	358
NET POSITION	
Restricted for other governments	\$ 19,803

See accompanying notes to the basic financial statements.

City of Toledo, Ohio
Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year ended December 31, 2021
(Amounts in Thousands)

	Custodial Funds
ADDITIONS	
Fines and forfeitures for other governments	\$ 7,897
Licenses, permits, and fees for other governments	46
Special assessments collected for other governments	3,368
Total additions	11,311
DEDUCTIONS	
Fines and forfeiture distributions to other governments	7,501
Licenses, permits, and fee distributions to other governments	46
Special assessments distributed to other governments	3,151
Total deductions	10,698
Net increase in fiduciary net position	613
Net position at January 1	19,190
Net position at December 31	\$ 19,803

See accompanying notes to the basic financial statements.

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City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Toledo, Ohio (the “City”) was incorporated January 7, 1837 and operates under its Charter adopted in November 1914. The City may exercise all powers of local self-government granted under Article XVIII, Section 3, of the Ohio Constitution, not in conflict with applicable general laws of Ohio. The Charter provides that the City operate under the strong mayor/council form of government.

The Financial Statements of the City have been prepared in conformity with Accounting Principles Generally Accepted in the United State of America (GAAP) as applied to local government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City’s accounting policies are described below.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the Financial Statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. The reporting entity of the City includes the following services as authorized by its Charter: Public Safety, Highways and Streets, Water and Sanitation, Health and Social Services, Culture-Recreation, Public Improvements, Planning and Zoning and General Administrative Services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing body, and (1) the City is able to significantly influence the programs and services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves their budget, the issuance of their debt, or the levying of taxes for the organization. The City has one component unit.

Component Unit

Toledo Community Improvement Corporation

The Toledo Community Improvement Corporation (TCIC) is the City of Toledo’s designated agency and instrumentality for industrial, commercial, distribution and research development. The TCIC board is made up of nine members, all of which are appointed by the City. The TCIC is considered a blended component unit of the City, but there is no financial activity for the 2021 fiscal year, and therefore no activity is reflected in this report.

Jointly Governed Organizations

City of Toledo-City of Rossford MUD

In February 1992, the City entered into a contract with the City of Rossford to create a Joint Economic Development Zone (JEDZ) under Ohio Rev. Code 715.69. However, on June 5, 2014 this code section was repealed. The entity entered into a new contract under Ohio Rev. Code 714.84(J) to create a Municipal Utility District (MUD). The new agreement is a contract for shared services between two municipalities and is not a separate entity. The purpose of this contract is to facilitate planned, orderly, new and expanded commercial and industrial growth within the region; creating retaining and enhancing employment opportunities for the benefit of the City of Toledo and the City of Rossford and their residents and all of the residents of the region.

The MUD has helped foster successful retail and other developments in the MUD. The agreement results in an income tax that shall be imposed based on the City of Rossford’s Municipal Code at a rate of 2.25%. The City will receive approximately 27.33% of the net revenues generated by this agreement. The City did not receive revenues from the MUD in 2021.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly Governed Organizations (continued)

City of Toledo-City of Maumee-Monclova Township

In October 2003 and amended in 2010, the City entered into a contract with the City of Maumee and Monclova Township to create a JEDZ. The purpose of this contract is to facilitate planned, orderly, new, and expanded commercial and industrial growth within the region; creating retaining and enhancing employment opportunities for the benefit of the City of Toledo, the City of Maumee and Monclova Township, and their residents and all of the residents of the region. The agreement results in an income tax that shall be imposed based on the City of Maumee's Municipal Code at a rate of 1.5%. The City will receive one-fourth of the net revenues generated by this agreement. The City received \$1,391 in revenues from the JEDZ in 2021.

City of Toledo-City of Sylvania

In July 2008, the City entered into a revenue sharing contract with the City of Sylvania. The purpose of this contract is to facilitate new and expanded commercial growth or economic development in the State and the City of Sylvania. The agreement results in an income tax that shall be imposed based on the City of Sylvania's Municipal Code at a rate of 1.5%. The City will receive 40% of the net revenues in excess of the baseline revenues established yearly generated by this agreement. The City did not receive revenues from this agreement in 2021.

City of Toledo-Perrysburg Township

In October 2008, the City entered into a contract with Perrysburg Township to create a Joint Economic Development District (JEDD). The purpose of this contract is to facilitate economic development; create or preserve jobs and employment opportunities and to improve the economic welfare of the people and businesses located in the State, Township, City and District. The agreement results in a payroll income tax that shall be imposed based on the City's Municipal Code at a rate of 2.25% paid by employees of businesses located in the District. The City will receive the first \$223 of revenues and 50% of the remaining revenues generated by this agreement. The City received \$36 in revenues from the JEDD in 2021.

City of Toledo-Lake Township

In August 2009, the City entered into a contract with Lake Township to create a JEDD. The purpose of this contract is to facilitate economic development; create or preserve jobs and employment opportunities and to improve the economic welfare of the people and businesses located in the State, Township, City and District. The agreement results in an income tax that shall be imposed based on the City's Municipal Code at a rate of 2.25%. The City will receive 40% of the net revenues generated by this agreement. The City did not receive revenues from the JEDD in 2021.

City of Toledo-Troy Township

In September 2010, the City entered into a contract with Troy Township to create a JEDD. The purpose of this contract is to facilitate economic development; create or preserve jobs and employment opportunities and to improve the economic welfare of the people and businesses located in the State, Township, City and District. The agreement results in an income tax that shall be imposed based on the City's Municipal Code at a rate of 2.25%. The City will receive 40% of the net revenues generated by this agreement. The City received \$598 in revenues from the JEDD in 2021.

City of Toledo-Monclova Township-Swanton Township (Toledo Express Airport JEDD, or TEA JEDD)

In October 2015, the City entered into a contract with Monclova and Swanton Townships to create a JEDD at the Toledo Express Airport. The purpose of this contract is to facilitate economic development; create or preserve jobs and employment opportunities and to improve the economic welfare of the people and businesses located in the Townships, the City, the State, and the County. The agreement results in an income tax that shall be imposed based on the City's Municipal Code at a rate of 0.5% for 2016; 1% for 2017, and 1.5% for 2018 and years after. The City will receive one third of the net revenues generated by this agreement. The City received \$48 in revenues from the JEDD in 2021.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly Governed Organizations (continued)

Incarceration Agreements with Other Governments

In 2016, the City entered into a distinctly separate agreement with Lucas County for incarceration costs formerly associated with the Commission. The agreement called for the City to pay Lucas County for 20 beds specifically reserved for offenders charged under the Toledo Municipal Code. Nearing the end of 2017, the City established an agreement for incarceration costs with Wood County, which reserved 10 beds for the City for offenders charged under the Toledo Municipal Code. In 2021, Toledo paid Wood County \$130 under this agreement. In January 2021, the City entered into a new contract with Lucas County, which reserves and guarantees 5 bed for offenders convicted under Toledo Municipal Code at a per diem rate established by the Corrections Center of Northwest Ohio and paid on a quarterly basis. The per diem rate of 2021 is \$71.85.

Basis of Presentation

The City's basic Financial Statements consist of Government-Wide Statements, including a Statement of Net Position and Statement of Activities, as well as Fund Financial Statements which provide a more detailed level of financial information. The Government-Wide Statements report all of the assets, deferred outflows, liabilities, deferred inflows, revenues and expenses of the City. Governmental Activities are reported separately from Business-Type Activities. Governmental Activities are normally supported by taxes and intergovernmental revenue whereas Business-Type Activities are normally supported by financially self-sustaining fees and charges for services. Fiduciary Funds of the City are not included in these Government-Wide Financial Statements; however, separate Financial Statements are presented for the Fiduciary Funds.

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except Fiduciary Funds. The activities of the Internal Service Funds are eliminated to avoid doubling up revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation. The statements distinguish between those activities of the City that are Governmental and those that are considered Business-Type Activities.

The Statement of Net Position presents the financial condition of the Governmental and Business-Type Activities of the City at year-end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's Governmental Activities and Business-Type Activities. Direct expenses are those are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipient of the goods and services offered by the program and (b) grants and contributions that are restricted to meeting the operational and capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

During the year, the City segregates transactions related to specific City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund Financial Statements are designed to present financial information of the City at a more detailed level. The focus of Governmental and Enterprise Funds Financial Statements is on Major Funds. Each Major Fund is presented in a separate column. Non-Major Funds are aggregated and presented in a single column. Internal Service Funds are aggregated and presented in a single column on the Proprietary Fund Statements. Fiduciary Funds are reported by type.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The City's funds are classified as Governmental, Proprietary and Fiduciary.

Governmental Funds:

Governmental Funds are those through which most governmental functions typically are financed. Governmental reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various Governmental Funds according to the purposes for which they may or must be used. Current Liabilities are assigned to the fund from which they will be paid. The difference between Governmental Fund Assets, Liabilities and Deferred Inflows is reported as Fund Balance. The following are the City's major Governmental Funds:

General Fund: Accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Improvements Fund: Accounts for construction, improvements and acquisition of building and infrastructure.

Special Assessment Services Fund: Accounts for the proceeds of special assessments (and related note sales) levied against property owners benefiting from the City's services: street cleaning, street lighting, surface treatment, weed cutting, snow removal and tree and ditch maintenance.

Local Fiscal Recovery Grant Fund: Accounts for Federal American Rescue Plan Act funding for state and local governments to address the continued impact of COVID-19.

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Funds:

Proprietary Fund reporting focuses on changes in net position, financial position and cash flows.

Enterprise Funds: Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

The City has separate Enterprise Funds for the following major enterprises: water, sewer, and utility administrative services.

Water: To account for the operations of the water treatment and distribution systems operated of the City using Lake Erie as the water supply. The Department also provides water services to several areas outside of the City. Revenue is generated by charges set at a level sufficient to cover outstanding debt requirements while providing funds for the operation and maintenance of the water operating and distribution system.

Sewer: To account for the operations of the sanitary sewage collection and treatment systems operated of the City. Revenue is generated by charges that are set a level sufficient to provide funds for the costs of operating, maintaining and providing necessary replacements and improvements and for the debt service requirements on outstanding debt.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting (continued)

Utility Administrative Services: To provide comprehensive billing, collections and customer services/ relations in an efficient, cost-effective and responsive manner to residents, businesses and governmental jurisdictions within the greater Toledo metropolitan areas, as well as administrative support for the Department of Public Utilities. Senior clerks are available to assist with water/sewer service contracts, billing problems, inspections, payment agreements, remote installations and many other customer service needs.

The other enterprise funds of the City are used to account for storm sewer, property management, small business development, municipal tow lot, marina, and Toledo public power operations.

Internal Service Funds: Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, generally on a cost-reimbursement basis. The City's internal service funds account for municipal garage operations, capital replacement, storeroom and printshop services, information technology services, risk management, facility operations, workers' compensation, and healthcare self-insurance.

Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial Funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The City's fiduciary funds are Custodial Funds. Custodial Funds are used to account for building standards fee assessments on both residential permits (1% assessment) and commercial permits (3% assessment) that are collected by the City and remitted to the State of Ohio, an Ohio Environmental Protection Agency (EPA) surcharge related to landfill operations that are collected by the City and remitted to the State of Ohio EPA, fines and fees collected by the Toledo Municipal Court and remitted to other governments (excluding those remitted or due to the City of Toledo), and for special assessments collected and distributed to other governmental entities.

Measurement Focus

Government-Wide Financial Statements:

The Government-Wide Financial Statements are prepared using the economic resources measurement focus. All assets, deferred outflow of resources, liabilities and deferred inflow of resources associated with the operation of the City are included on the Statement of Net Position, except Fiduciary Funds. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in net position.

Fund Financial Statements:

All Governmental Funds are accounted for using a flow of current financial resources measurement focus. Using this method, only current assets, current liabilities and deferred inflows of resources are generally included on the Balance Sheet. The Statement of Revenue, Expenditures, and Changes in Fund Balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the Governmental Activities of the Government-Wide Financial Statements are prepared. Governmental Fund Financial Statements therefore include reconciliations with brief explanations to better identify the relationship between the Government-Wide Statements and the Statements for Governmental Funds.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus (continued)

Like the Government-Wide Statements, all Proprietary Funds are accounted for on a flow of economic resources measurement focus. All assets, deferred outflow of resources, liabilities and deferred inflow of resources associated with the operation of these funds are included on the Statement of Net Position. The Statement of Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its Proprietary Activities.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues are those revenues that are generated directly from the primary activity of the Proprietary Funds. For the City, these revenues are charges for services for all major and non-major Proprietary Funds and charges for goods and services to other departments provided by the Internal Service Funds. Operating expenses are necessary costs incurred to provide the goods and services that are the primary activity of the fund.

Fiduciary Funds present a statement of net position and a statement of changes in fiduciary net position which reports additions to and deductions from Custodial Funds.

Basis of Accounting

Basis of Accounting determines when transactions are recorded in the financial records and reported on the Financial Statements. The Government-Wide as well as the Fiduciary Funds and Proprietary Fund Financial Statements are prepared using the accrual basis of accounting. The Governmental Funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflow of resources and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from Exchange Transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities for the current fiscal year. For the City, available means expected to be received within sixty days after year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Under the accrual basis, revenue from income taxes is recognized in the period in which the income is earned (see Note 4). Revenue from property taxes is recognized in the year in which the taxes are levied (see Note 5). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, state-levied local shared taxes (including gasoline taxes, local government funds and permissive taxes), fines and forfeitures, licenses and permits, interest, grants and rentals.

Unearned Revenue

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, see Note 13 and Note 14 for deferred outflows of resources related the City's net pension liability and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, deferred charges on debt refunding, leases, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2021, but which were levied to finance 2022 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. The deferred inflow for leases is related to the lease receivable and is being amortized to lease revenue in a systematic and rational manner over the term of the lease. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

For the City, see Note 13 and Note 14 for deferred inflows of resources related to the City's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of Governmental Fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measureable. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental Funds.

Budgetary Information

Annual budgets are adopted for all Governmental Funds other than capital projects funds on the GAAP basis in that revenues are recorded when earned and expenditures are recorded when incurred. Capital projects funds adopt project-length budgets at the time bonds are sold or other funding sources are determined. The City maintains budgetary controls by not permitting expenditures to exceed appropriations at the account for each division within each fund.

Cash and Cash Equivalents

Cash balances of the City's Governmental Activities and Governmental Funds are pooled and invested in order to provide improved cash management. Monies for these funds are maintained in this pool. All of the City's depository accounts for the Governmental Activities and Governmental Funds are maintained and reported by the General Fund as "Cash and Cash Equivalents with Treasurer". The Business-type Activities and Proprietary Funds hold their own bank statements and cash is maintained in these respective funds as "Cash and Cash Equivalents with Treasury".

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents (continued)

Cash and cash equivalents held by escrow represent amounts held by third parties for debt service requirements and lease proceeds remaining to be spent. These amounts are reported as “Cash and Cash Equivalents Held by Escrow Agent”.

During 2021, investments were limited to nonnegotiable certificates of deposit (nonnegotiable CD’s), Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, Municipal Bonds, and State Treasury Asset Reserve of Ohio (STAR Ohio). Except for investments in STAR Ohio and nonnegotiable CD’s, investments are reported at fair value, which is based on quoted market prices. Investments in STAR Ohio are reported at amortized cost and investments in nonnegotiable CD’s are reported at cost.

During 2021, the City invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The City measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

For the purposes of the Statement of Cash Flows, the Proprietary Funds consider all highly liquid investments held by Treasurer with an original maturity date of three months or less when purchased, to be Cash Equivalents. In addition, all cash with Treasurer and other cash are also considered to be Cash Equivalents because they are available to the Proprietary Fund on demand.

Inventory of Supplies

Inventories are valued at cost in utilizing the First-In, First-Out (FIFO) method for both Governmental Funds and Proprietary Funds and are expensed when used.

Prepayments

Payments made to vendors for services that benefit future periods are recorded as prepayments in both government-wide and fund financial statements. A current asset for the prepaid amount is recorded at the time of purchase, and the expenditure is reported in the year in which services are consumed.

Restricted Assets

Restricted Assets are those that are legally restricted in use by bond indentures, or other legal instruments.

Capital Assets

Capital assets are defined by the government as anything purchased by, donated, or otherwise acquired by the City that has an initial, individual cost of more than \$5,000 (amount not in thousands) and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. In the case of the initial capitalization of infrastructure assets (i.e., those reported by governmental activities) the City includes all such items regardless of their acquisition date. The City’s intangible assets include right of way and computer software. Donated capital assets are recorded at their acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of the assets are not capitalized. Major outlays for capital assets and improvements are capitalized, as projects are constructed. Interest incurred during the construction phase of proprietary capital assets is included as part of the capitalized value of the assets constructed.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

Capital assets, including property, plant, equipment, intangible assets and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City infrastructure consists of bridges, curbs and gutters, lighting, sidewalks, roads, drainage systems and water and sewer lines. All reported capital assets, except land, right of way and construction in progress, are depreciated using the straight line method over the following estimated useful lives, and these estimated useful lives may be periodically adjusted:

<u>Description</u>	<u>Estimated Useful Life</u>
Auto/Vehicle Equipment	5-15 years
Buildings	20-40 years
Distribution Systems	100 years
Furniture and Fixtures	5-15 years
Infrastructure (Roads, Bridges, Culverts)	20-40 years
Improvements (non-Building)	10-20 years
Intangible Assets	5 years
Machinery and Equipment	5-20 years

The City updated the capital asset policy in 2016 to move the capitalization threshold from \$500 to \$5,000 (amounts not in thousands). Assets depreciated under the previous methodology continue their original depreciation and remain a part of the City's financial statements until disposed.

The City is reporting an intangible right to use assets related to leased equipment and subscription-based information technology software. These intangible assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Interfund Balances

On fund financial statements, receivables and payables resulting from the routine lag between the dates interfund goods and services are provided or reimbursable expenditures occur are classified as "due to/from other funds." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as a component of the internal balance reported on the statement of net position.

Interfund Transactions

Transfers between Governmental and Business-Type Activities on the Government-Wide Statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in seller funds, and expenditures/expenses in purchaser funds. Flows of cash or goods from one fund to another without a repayment requirement are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in Governmental Funds and after non-operating revenues/expenses in Proprietary Funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic Financial Statements.

Compensated Absences

The City follows the provisions of Governmental Accounting Standards board No. 16, *Accounting for Compensated Absences*. Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the city will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation and compensatory time when earned for all employees with more than one year of service.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences (continued)

Sick leave benefits are accrued using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the Balance Sheet date, and reduced to the maximum payments allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the Government-Wide Financial Statements.

On Governmental Fund Financial Statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due during each period upon the occurrence of employee resignations and retirements. For Proprietary Funds, the entire amount of compensated absences is reported as a fund liability.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability/asset, deferred outflows of resources and deferred inflows of resources related pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Accrued Liabilities and Long-Term Obligations

All payables and accrued liabilities and long-term obligations payable from the Governmental Funds are reported in the Government-Wide Financial Statements and all payables, accrued liabilities and long-term obligations payable from Proprietary Funds are reported on the Proprietary Fund Financial Statements.

In general, once Governmental Fund payables and accrued liabilities are incurred, they are paid in a timely manner and in full from current financial resources and reported as obligations of the funds. However, claims, judgments and compensated absences that will be paid from Governmental Funds are reported as a liability in the Fund Financial Statements only to the extent that they are due for payment during the current year. Bonds, lease-purchase notes payable, and long-term loans are recognized as a liability on the Fund Financial Statements when due.

Debt Insurance Costs, Premiums, Discounts and Deferred Amount on Refunding

On Government-Wide Financial Statements, prepaid bond insurance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized bond insurance costs are reported as a separate line item on the Statement of Net Position as an asset.

Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts are presented as a reduction of the face amount of the bonds.

For advance refunding resulting in the defeasance of debt in the Government-Wide Financial Statements and in the Proprietary Funds, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow/inflow.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classifications

Fund Balance for Governmental Funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is “bound to honor constraints on the specific purposes for which amounts in the fund can be spent” in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of the City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. Fund balance commitments are established, modified or rescinded by City Council action through passage of an ordinance.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. Assigned Fund Balance includes amounts that have been intended use by City Council. City Council demonstrates its intent for use of assigned amounts through passage of appropriation legislation or resolution.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City considers restricted amounts to have been spent when expenditure is incurred for purposes of which both restricted and unrestricted Fund Balance is available. The City does not have a formal policy for its use of unrestricted Fund Balance amounts; therefore, it considers committed amounts used first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted Fund Balance classification could be used. See Note 12 for further detail on the components of fund balance classifications at year end.

Net Position

Net Position represents the difference between assets, deferred outflow of resources, liabilities and deferred inflow of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances for any borrowing used for the acquisition, construction or improvement of those assets. Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by the creditors, grantors or laws or regulation of other governments.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of the Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Financial Statements and accompanying notes. Actual results may differ from those estimates.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, grants or outside contributions of resources restricted to capital acquisition and construction, or capital assets that are purchased by a fund and then transferred to another fund.

NOTE 2 – DEPOSITS AND INVESTMENTS

The City's investment policy allows for the following types of deposits and investments:

1. Direct obligations of the United States which include, but are not limited to, Treasury certificates, bills, bonds, notes as well as United States Treasury obligations, State and Local Government Series;
2. Bonds, notes, debentures or any other obligation or securities issued by the following Federal Government agencies or instrumentalities: Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank and Federal Home Loan Mortgage Corporation;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement is at least equal to 100% of the price at which the repurchase securities are to be repurchased from the City, or such greater percentage as is agreed upon by the seller and the City prior to or upon entering into a particular transaction;
4. Bonds, notes and other negotiable instruments evidencing the obligation of the City to pay money;
5. Bonds, notes and other negotiable instruments of political entities other than the City which are rated at the time of acquisition by Moody's or Standard and Poor's in at least the third highest category when rated with a long term rating or in the highest category when rated with a short term rating;
6. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Demand deposits which are deposited with an institution having all of the qualifications of a depository except that it needs only have an office located in the State rather than in the City and payable on demand of the City. Such deposits may include interest-bearing or non-interest bearing checking accounts, NOW accounts, savings accounts and other similar accounts authorized by the Federal Reserve Bank Board or the Federal Home Bank Board;
8. Non-demand savings accounts which are deposited in an institution having all of the qualifications of a depository except that it need only have an office located in the State rather than in the City that are not payable on demand but, instead, are payable at a certain date;
9. Negotiable or non-negotiable interest-bearing time certificates of deposit representing deposits of the City placed in an institution having all of the qualifications of a Depository except that it need only have an office located in the State rather than in the City;

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

10. Federally insured certificates of deposit initiated through a Federal Deposit Insurance Corporation member bank or savings and loan association having an office in Lucas County and under an arrangement whereby the full amount of the deposit is allocated among a reciprocal network of participating Federal Deposit Insurance Corporation member banks or savings and loan associations, wherever located, such that full amount of the City's deposit is covered by federal deposit insurance; and
11. The STAR Plus Federally Insured Cash Account, an investment program offered in conjunction with STAR Ohio under which funds invested through the program are deposited in various federally insured banks, savings banks or savings and loan associations located anywhere in the United States in such a manner that the full amount of the public moneys deposited is covered by federal deposit insurance.

A qualified depository is a bank, trust company or savings and loan association organized under the laws of the State or under the laws of the United States, doing business and situated in the State and:

1. Has an office located in the City which is capable of providing services requested by the City;
2. Has deposits which are insured by the Federal Deposit Insurance Corporation;
3. Has Equity Capital in excess of \$50 million or has been approved by an ordinance of City Council following completion of the appeal process;
4. Carries a holding company Long Term Issuer Default Rating by Fitch of BBB or better; and
5. Provides collateralization as required by the City's Municipal Code.

An investment must mature within three years from the date of purchase unless matched to a specific obligation or debt of the City. Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the Finance Director or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Cash and Cash Equivalents Held by Escrow Agent

Cash and cash equivalents held by escrow represent amounts held by third parties for debt service requirements and lease proceeds remaining to be spent. At December 31, 2021, the City had un-invested cash in the amount of \$35,539 being held by a third-party trustee. In addition, at December 31, 2021, the City had \$199 of restricted investments which are being held by a third-party trustee as fiscal agent for future debt service payments.

Cash and Cash Equivalents Other

At December 31, 2021, the amount recorded by the City's for the Toledo Municipal Courts was \$944. Of this total, \$178, \$77, and \$689, was reported in the City's General Fund, Nonmajor Governmental Funds, and Custodial Fund, respectively, at December 31, 2021. The bank balance of monies held by the Toledo Municipal Courts was \$1,213 at December 31, 2021. Of the bank balance, the Federal Depository Insurance Corporation (FDIC) will cover up to \$250 per account with any excess being collateralized through the Ohio Pooled Collateral System (OPCS).

The City maintains various petty cash accounts. The carrying amount of these accounts are reported in the Utility Administrative Services Fund, Water Fund, General Fund, and Nonmajor Governmental Funds are \$189, \$1, \$8, and \$2, respectively.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Deposits with Financial Institutions

At December 31, 2021, the carrying amount of all City deposits, including \$17,500 of nonnegotiable certificates of deposit, was \$45,850 and the bank balance was \$49,802. Of the bank balance, the Federal Depository Insurance covers up to \$250 per account. Bank balances not covered by the FDIC were collateralized through the OPCS.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City’s investment policy on deposits requires that they be insured by FDIC or collateralized by the financial institution. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments

As of December 31, 2021, the City had the following investments and maturities:

Measurement/ Investment type	Measurement Value	Investment Maturities		
		1 Year or Less	1 to 3 Years	4 to 5 Years
Fair Value:				
FFCB	\$ 48,111	\$ -	\$ 17,887	\$ 30,224
FHLB	139,233	-	18,340	120,893
FHLMC	31,455	-	9,850	21,605
FNMA	33,440	-	6,924	26,516
Municipal Bonds	241,002	78,915	143,348	18,739
Amortized Cost:				
STAR Ohio	54,842	54,842	-	-
Total	\$ 548,083	\$ 133,757	\$ 196,349	\$ 217,977

Fair Value Measurement: The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City’s investments in federal agency securities (FFCB, FHLB, FHLMC, FNMA) and Municipal Bonds are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

The City follows GASB Statement No. 40, *Deposits and Investment Risk Disclosure*, which requires certain disclosures related to the interest rate, custodial, credit, foreign currency and concentration of credit risks associated with interest-bearing investments.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

Interest Rate Risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy generally limits security purchases to those that mature within three years of the settlement date unless the maturity is matched with a specific cash requirement which states that the maturity cannot exceed seven years of the settlement date. The City's investment policy addresses interest risk requiring the consideration of market conditions and cash flow requirements in determining the term of the investments.

Custodial Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payments for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

Credit Risk for investments is addressed by the City's investment policy requirement that all investments are authorized by Code and that the portfolio be diversified both by types of investment and issuer. The City's investments in federal agency securities were rated AA+ by Standard & Poor's and Aaa by Moody's. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The City's investment policy does not allow for investment in foreign accounts.

Concentration of Credit Risk is defined by GASB as five percent or more in the securities of a single issuer. The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The City places the following limitations on the amount that can be invested in any one issuer:

1. City funds either invested in certificates of deposit or deposited in non-demand savings accounts with any one depository shall not exceed 10 percent of the aggregate principal amount of the City's investment portfolio.
2. City funds invested in certificates of deposits in a depository may not exceed 10 percent of the equity capital of the depository at any one time.
3. No more than \$10 million may be invested at any one time through repurchase agreements with any one institution.
4. No more than 40 percent of the aggregate principal amount of the City's investment portfolio shall be invested at any one time in STAR Ohio. Within this 40 percent, up to \$15,000 may be further invested through a STAR Plus Federally Insured Cash Account.
5. No obligation of any of the government agencies or instrumentalities shall be purchased if such purchase would cause more than 25 percent of the aggregate principal amount of the City's investment portfolio as of the settlement date to be invested in the obligations of that individual government agency or instrumentality.
6. The maximum aggregate amount that may be invested for a period longer than 3 years for any one fund shall be 25 percent of the lowest total of all outstanding investments for that fund which occurred during the 12 months immediately prior to the purchase of any security with maturity longer than 3 years. Compliance with this limitation shall be determined as of the settlement date only.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

As of December 31, 2021, the City had the following investment concentrations:

<u>Measurement/ Investment type</u>	<u>Measurement Amount</u>	<u>% of Total</u>
Fair Value:		
FFCB	\$ 48,111	8.78%
FHLB	139,233	25.40%
FHLMC	31,455	5.74%
FNMA	33,440	6.10%
Municipal Bonds	241,002	43.97%
Amortized Cost:		
STAR Ohio	<u>54,842</u>	<u>10.01%</u>
Total	<u>\$ 548,083</u>	<u>100.00%</u>

Reconciliation of Cash and Investments Disclosed to Financial Statements

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the financial statements as of December 31, 2021:

<u>Cash and Investments per Note</u>	
Carrying Amount of Deposits	\$ 45,850
Investments	548,083
Cash and Cash Equivalents Held by Escrow Agent	35,539
Cash and Cash Equivalents Other	<u>1,144</u>
Total	<u>\$ 630,616</u>
 <u>Cash and investments on Financial Statements</u>	
Governmental Activities	\$ 240,526
Business-Type Activities	389,401
Fiduciary Activities	<u>689</u>
Total	<u>\$ 630,616</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 3 – RECEIVABLES

Receivables at December 31, 2021 consist of the following:

	<u>Taxes</u>	<u>Customer and Other</u>	<u>Special Assessments</u>	<u>Notes Receivable</u>
Governmental Funds:				
General	\$ 52,095	\$ 7,991	\$ -	\$ -
Capital Improvements	-	1,568	-	-
Special Assessments Services	-	145	53,011	-
Local Fiscal Recovery Grant	-	151	-	-
Nonmajor Governmental Funds	2,636	6,812	1,147	30,614
Total Governmental Funds	<u>54,731</u>	<u>16,667</u>	<u>54,158</u>	<u>30,614</u>
Enterprise Funds:				
Water	-	22,705	-	-
Sewer	-	50,403	-	-
Utility Administrative Services	-	495	-	-
Nonmajor Enterprise Funds	-	5,620	-	15,612
Total Enterprise Funds	<u>-</u>	<u>79,223</u>	<u>-</u>	<u>15,612</u>
Internal Service Funds	<u>-</u>	<u>1,848</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 54,731</u>	<u>\$ 97,738</u>	<u>\$ 54,158</u>	<u>\$ 46,226</u>
			Less:	
	<u>Interest Receivable</u>	<u>Gross Receivables</u>	<u>Allowance for Uncollectibles</u>	<u>Receivables Net</u>
Governmental Funds (continued):				
General	\$ 428	\$ 60,514	\$ (7,902)	\$ 52,612
Capital Improvements	-	1,568	(5)	1,563
Special Assessments Services	-	53,156	-	53,156
Local Fiscal Recovery Grant	-	151	-	151
Nonmajor Governmental Funds	197	41,406	(29,524)	11,882
Total Governmental Funds	<u>625</u>	<u>156,795</u>	<u>(37,431)</u>	<u>119,364</u>
Enterprise Funds (continued):				
Water	763	23,468	(3,684)	19,784
Sewer	243	50,646	(9,281)	41,365
Utility Administrative Services	-	495	-	495
Nonmajor Enterprise Funds	200	21,432	(14,899)	6,533
Total Enterprise Funds	<u>1,206</u>	<u>96,041</u>	<u>(27,864)</u>	<u>68,177</u>
Internal Service Funds	<u>-</u>	<u>1,848</u>	<u>(346)</u>	<u>1,502</u>
Total	<u>\$ 1,831</u>	<u>\$ 254,684</u>	<u>\$ (65,641)</u>	<u>\$ 189,043</u>

Receivables have not been disaggregated on the face of the basic financial statements. The only receivable not expected to be collected within the subsequent year are special assessments which are collected over the life of the assessment (see Note 9).

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 3 – RECEIVABLES (continued)

Lease Receivable

The City is reporting leases receivable of \$1,152 in the general fund. For 2021, the City recognized lease revenue of \$98 and interest revenue of \$34 in the general fund related to lease payments received. A description of the City’s leasing arrangements is as follows:

Cell Tower and Other Leases – The City has entered into various lease agreements for cell towers and other leases for land use with multiple companies at varying years and terms as follows:

<u>Company</u>	<u>Lease Commencement Date</u>	<u>Years</u>	<u>Lease End Date</u>	<u>Payment Method</u>
Sprint Spectrum	1997	47	2043	Annual
Sprint Spectrum	1996	27	2023	Annual
Columbia Gas	2005	20	2025	Annual
Verizon Wireless	2015	30	2045	Monthly
Airtouch Cellular	1997	30	2037	Annual
Toledo Celtics, Inc.	2021	15	2036	Annual
Toledo Sailing Club	2019	5	2024	Annual
Toledo MSA	1996	20	2026	Monthly

The following is a schedule of future lease payments under the lease agreements:

<u>Year</u>	<u>General Fund</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 73	\$ 35	\$ 108
2023	75	32	107
2024	43	30	73
2025	44	29	73
2026	39	28	67
2027-2031	213	120	333
2032-2036	287	83	370
2037-2041	241	42	283
2042-2046	137	6	143
	<u>\$ 1,152</u>	<u>\$ 405</u>	<u>\$ 1,557</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 4 – INCOME TAX

For 2021, the City levied a Municipal Income Tax of 2.50% on substantially all income earned within the City. The residents of the City are required to pay income tax on the income earned outside the City; however, the City allows a credit for income taxes paid to another municipality up to 100% of the City’s current income tax rate. The City income tax also applies to the net income of businesses located or doing business within the City limits.

Prior to 2021, the income tax was 2.25%, which included a permanent 1.5% and a temporary 0.75%. In November 2020, the City’s voters approved an additional 0.25% income tax for a four-year period, to be dedicated to road improvements, bringing the total income tax rate from 2.25% to 2.50%. Voters also approved renewal of the temporary 0.75% in November 2020.

Of the original 2.25% income tax, the first 1.5% is a permanent levy, of which 0.25% is dedicated to capital improvements. The remaining 0.75% was renewed in November 2020 and approved the City to use 0.25% of the 0.75% for operating expenses rather than capital improvements. This allows funds to be transferred from the Capital Improvements Fund to the General Fund through December 31, 2024. The required transfers to the Capital Improvements Fund for 2021 have been completed.

Employers within the City are required to withhold income tax on employee compensation and to remit the tax to the City either monthly or quarterly and then file a reconciliation annually. Corporations and certain individual taxpayers are required to pay their estimated tax quarterly and file a tax return annually. The City administers the collection of income taxes and the assessments of interest and penalties. Income tax proceeds are used to pay the cost of administering the tax and recorded in the General Fund.

NOTE 5 – PROPERTY TAX

Property taxes include amounts levied against all real and public utility located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of the preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years.

Real property taxes are payable annually and semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first was due January 31st, 2021, with the remainder payable by July 31, 2021.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined at December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. The 2021 public utility property taxes became a lien on December 31, 2020, were levied on October 1, 2021 and will be collected in 2022 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes.

The County Treasurer collected property taxes on behalf of all taxing districts in the County, including the City of Toledo. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2021 and for which there is an enforceable legal claim. In the Government Funds, the current portion receivable has been offset by deferred inflow of resources since the current taxes were not levied to finance 2021 operations and the collection of delinquent taxes has been offset by deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is reported as a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2021 was \$4.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2021 property tax receipts were based are as follows:

Public Utility Real and Tangible Personal Property	\$	242,940
Real Property (Other than Public Utility)		3,156,219
Total Assessed Value	\$	3,399,159

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 5 – PROPERTY TAX (continued)

Special Assessment Services, Improvements and Bond Retirement

The City provides special services primarily for snow removal, leaf pickup, street resurfacing and street lighting. These services are assessed in the real estate tax bills to the benefited property owners. The City pays the actual costs of these services, which are then levied as special assessments and collected two years after the service has been rendered.

Special assessment notes are issued for the interim financing of various improvements to be assessed from benefiting property owners. These improvements include streets, alleys, sanitary sewers, sidewalks, storm sewers and water lines. Upon completion of the approved projects, the notes are converted to long-term bonds, which are assessed over a 5 or 10 year period depending on the type and cost of the improvement.

NOTE 6 – TAX INCENTIVE AND ABATEMENT PROGRAMS

Pursuant to GASB Statement No. 77, *Tax Abatement Disclosures*, the City is required to disclose certain information on its use of tax abatement incentives. A tax abatement incentive, under this Statement, is authorized by the Ohio Revised Code (ORC) and/or the Toledo Municipal Code (TMC) and is an agreement between the City and an individual or entity in which the City promises to forgo tax revenue, while the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the City or the citizens of the City.

The City offers the following tax incentive and abatement programs:

Community Reinvestment Area

The Ohio Community Reinvestment Area (CRA) program is an economic development tool available to Toledo under ORC 3735 that is used to provide real property tax exemptions for property owners who construct new buildings or renovate existing properties. CRAs are areas of land in which property owners may receive tax incentives for investing in real property improvements. In order to participate in the CRA program, Toledo petitioned the Ohio Development Services Agency (ODSA) for confirmation of a geographic area in which investment in housing has traditionally been discouraged. Once an area is confirmed by the Director of ODSA, communities may offer real property tax exemptions to taxpayers that invest in that area.

The City determines the type of development to support by specifying the eligibility of residential, commercial or industrial projects. The City grants property tax abatements on improvement projects based on the increase in property valuation resulting from the improvements, for up to fifteen years. Participating properties are subject to annual inspections by the CRA Housing Council/Committed of the Toledo Housing Advisory Commission. As of December 31, 2021, the City had 1,526 participants in the CRA Program and abated \$9,875 property taxes. The CRA program impacts the City's General Fund.

Enterprise Zone Program

The Enterprise Zone Program is an economic development tool administered by the City of Toledo pursuant to ORC 5709 that provides real and personal property tax exemptions to businesses making investments within an enterprise zone. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program can provide tax exemptions for a portion of the value of new real and personal property investment (when that personal property is still taxable) when the investment is made in conjunction with a project that includes job creation. Existing land values and existing building values are generally not eligible. Businesses may not participate in both the CRA and Enterprise Zone Programs.

The City determines approval of projects based upon their contribution to the economic welfare of the community, including job creation and retention. Approved projects receive 100% tax exemption on new real and personal property investment for up to fifteen years, with 45% of the total tax exemption benefit paid to the local school district in which the project is located. Participants are monitored for compliance during the incentive period by the Tax Incentive Review Council. As of December 31, 2021, the City had no participants in the Enterprise Zone Program. The Enterprise Zone Program impacts the City's General Fund.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 6 – TAX INCENTIVE AND ABATEMENT PROGRAMS (continued)

Municipal Job Creation Tax Credit (MJCTC)

Pursuant to ORC 718.15, the City established the MJCTC to create jobs and increase the tax base. Businesses must submit and have their application approved by the State of Ohio's Job Creation Tax Program in order to be eligible under the MJCTC. Businesses must be located within the City of Toledo's State Enterprise Zone or proposed Federal Enterprise Communities Zone and create a minimum of 25 *new*, full-time jobs within three years with hourly wages of at least 150% of the state minimum wage. The tax incentives under the MJCTC include a maximum tax credit of 40% of payroll taxes of eligible full-time employees per year, for up to ten years, for businesses within the State Enterprise Zone. For businesses within the Enterprise Community Zone, the maximum tax credit available is 80% of the total payroll taxes of eligible employees per year, for up to ten years. Participants are monitored for compliance during the incentive period by the Tax Incentive Review Council. As of December 31, 2021, the City had 1 active participating business claiming \$2,686 in aggregate tax credits. The MJCTC program impacts the City's General and Capital Improvement Funds.

Toledo Expansion Incentive Program

The purpose of the Toledo Expansion Incentive (TEI) Program is an economic development tool authorized under City of Toledo Ordinance 487-07 and later revised under City of Toledo Ordinance 431-11 to provide significant incentives to attract and grow business in key Standard Industry Classification codes and site locations within the City. The program may be used in conjunction with other financing and incentive programs available through Federal, State, and other local governments. A grant awarded in any one calendar year shall be based upon the amount of growth of an applicant's municipal income taxes actually received and retained by the City during the previous calendar year above specific expected revenue benchmarks as set forth in the TEI Agreement. Approved applicants can receive between 10% - 30% of the growth of yearly municipal income taxes actually paid to and retained by the City based upon the expected revenue benchmarks, up to ten years. An additional 10% grant can be awarded to an entity each year in which it spends at least 15% of its expenses on product research and development activities. As of December 31, 2021, the City had 22 participants and paid \$1,011 in TEI awards. The TEI program impacts the City's General Fund.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 7 – CAPITAL ASSETS

Due to the implementation of GASB Statement No. 87 and GASB Statement No. 96 at December 31, 2020, the City has reported capital assets for the right to use subscription-based information technology software and leased equipment which are reflected in the schedule below (see Note 16). The following activity occurred during the year related to the City’s governmental activities capital assets:

Governmental Activities:	Restated Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021
<i>Capital Assets not being Depreciated:</i>				
Land	\$ 26,040	\$ -	\$ (401)	\$ 25,639
Construction in Progress	134,070	45,355	(19,590)	159,835
Total Capital Assets not being Depreciated	160,110	45,355	(19,991)	185,474
<i>Capital Assets being Depreciated:</i>				
Buildings	71,260	185	(1,464)	69,981
Furniture & Fixtures	5,341	-	(1,596)	3,745
Improvements	72,911	145	-	73,056
Infrastructure	871,173	11,598	-	882,771
Machinery & Equipment	143,130	13,445	(70,472)	86,103
Total Capital Assets being Depreciated	1,163,815	25,373	(73,532)	1,115,656
<i>Capital Assets being Amortized:</i>				
Intangible Right to Use:				
Leased Equipment	81	-	-	81
Subscription-Based Information Technology Software	1,595	1,438	-	3,033
Total Capital Assets being Amortized	1,676	1,438	-	3,114
<i>Less: Accumulated Depreciation</i>				
Buildings	40,647	1,443	(333)	41,757
Furniture & Fixtures	5,225	23	(1,596)	3,652
Improvements	42,483	1,475	-	43,958
Infrastructure	583,228	14,399	-	597,627
Machinery & Equipment	122,275	8,859	(66,550)	64,584
Total Accumulated Depreciation	793,858	26,199	(68,479)	751,578
<i>Less: Accumulated Amortization</i>				
Intangible Right to Use:				
Leased Equipment	-	22	-	22
Subscription-Based Information Technology Software	-	843	-	843
Total Accumulated Amortization	-	865	-	865
Total Capital Assets being Depreciated/Amortized, net	371,633	(253)	(5,053)	366,327
Governmental Activities Capital Assets, net	\$ 531,743	\$ 45,102	\$ (25,044)	\$ 551,801

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 7 – CAPITAL ASSETS (continued)

Depreciation expense was charged to functions of the Governmental Activities as follows:

General Government	\$ 865
Public Service	5,084
Public Safety	1,844
Public Utility	15,762
Community Environment	346
Health	1,024
Parks and Recreation	<u>1,274</u>
Total Depreciation - Governmental Activities	<u><u>\$ 26,199</u></u>

Amortization expense was charged to functions of the Governmental Activities as follows:

General Government	\$ 240
Community environment	22
Public Safety	<u>603</u>
Total Amortization - Governmental Activities	<u><u>\$ 865</u></u>

The Department of Housing and Neighborhood Revitalization has purchased land and buildings using Block Grant Funds. The intent of such purchases ultimately is to resell the property for a nominal amount to adjacent property owners or developers for redevelopment purposes. As of December 31, 2021, the Department owned approximately 88 parcels at an estimated historical cost of \$1,672. Due to the uncertainty of the market value or the ability to locate developers, the purchase costs have been recorded as program expenditures in the Block Grant Funds in the year of purchase and revenues from the sale of properties are recorded as Program Revenue in the year of sale.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 7 – CAPITAL ASSETS (continued)

The following activity occurred during the year related to the City’s business-type activities capital assets:

	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021
<i>Business-Type Activities:</i>				
<i>Capital Assets not being Depreciated:</i>				
Land	\$ 5,716	\$ -	\$ (100)	\$ 5,616
Construction in Progress	480,387	93,888	(121,255)	453,020
Total Capital Assets not being Depreciated	<u>486,103</u>	<u>93,888</u>	<u>(121,355)</u>	<u>458,636</u>
<i>Capital Assets being Depreciated:</i>				
Buildings	79,714	-	-	79,714
Furniture & Fixtures	377	-	(7)	370
Improvements	161,569	586	(1,379)	160,776
Infrastructure	1,032,543	118,701	(470)	1,150,774
Machinery & Equipment	116,412	2,156	(10,668)	107,900
Total Capital Assets being Depreciated	<u>1,390,615</u>	<u>121,443</u>	<u>(12,524)</u>	<u>1,499,534</u>
<i>Less: Accumulated Depreciation</i>				
Buildings	29,838	1,680	-	31,518
Furniture & Fixtures	357	6	(7)	356
Improvements	49,895	4,803	(1,228)	53,470
Infrastructure	402,894	14,891	(3)	417,782
Machinery & Equipment	93,021	4,026	(10,085)	86,962
Total Accumulated Depreciation	<u>576,005</u>	<u>25,406</u>	<u>(11,323)</u>	<u>590,088</u>
Total Capital Assets being Depreciated, net	<u>814,610</u>	<u>96,037</u>	<u>(1,201)</u>	<u>909,446</u>
Business-Type Activities Capital Assets, net	<u>\$ 1,300,713</u>	<u>\$ 189,925</u>	<u>\$ (122,556)</u>	<u>\$ 1,368,082</u>

Depreciation expense was charged to functions of the Business-Type Activities as follows:

Water	\$ 7,052
Sewer	17,261
Utility Administrative Services	2
NonMajor	1,092
Total Depreciation - Business-Type Activities	<u>\$ 25,407</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 8 – NOTES PAYABLE

The City's Notes Payable obligations at December 31, 2021 and a schedule of current year activity are as follows:

	Maturity Date	Interest Rate (%)	Original Issue Amount	Balance 1/1/2021	Increase	Decrease	Balance 12/31/2021	Amount Due In One Year
<u>Governmental Activities:</u>								
General Obligations:								
Special Assessments 2020	2021	1.20	2,460	\$ 2,460	\$ -	\$ (2,460)	\$ -	\$ -
Special Assessments 2021	2022	1.20	2,085	-	2,085	-	2,085	2,085
Capital Projects	2022	0.75	8,300	-	8,300	-	8,300	8,300
Revenue Obligations:								
Assessed Services 2019	2021	2.22-2.79	20,200	20,200	-	(20,200)	-	-
Assessed Services 2020	2022	2.173-2.177	20,700	20,700	-	-	20,700	20,700
Assessed Services 2021	2023	1.36-1.497	20,100	-	20,100	-	20,100	-
				<u>\$ 43,360</u>	<u>\$ 30,485</u>	<u>\$ (22,660)</u>	<u>\$ 51,185</u>	<u>\$ 31,085</u>
<u>Business-Type Activities:</u>								
General Obligations:								
Storm Sewers	2022	0.75	700	\$ -	\$ 700	\$ -	\$ 700	\$ 700

The City carries notes in the Special Assessment Improvement Fund (a nonmajor governmental fund) to cover capital costs related to constructing and reconstructing sidewalks, including, where necessary, driveway aprons, between certain termini on certain designated streets. In 2021, the City retired \$2,460 and reissued \$2,085 of General Obligation Notes for the purpose of supporting special assessment projects.

The City carries notes in the Capital Improvement Fund to cover capital costs related to the City's street system, including construction, reconstruction, rehabilitation of pavement, bridges, bicycle paths, sidewalks, and installation of traffic signs and signals. On November 18, 2021, the City issued \$8,300 of General Obligation Bond Anticipation Notes to finance the City's 2021 street system and bridges. The notes were issued at a \$45 premium with \$35 in issuance costs were incurred both of which were reported in the Capital Improvements Fund. The notes will be retired from the Capital Improvements Fund.

The City carries notes in the Special Assessments Services Fund to cover capital costs related to City services such as street lighting, street sweeping, snow removal, surface treatment of unimproved streets, leaf pick up and tree planting, and trimming and removal in the public right away. Costs of assessments are charged to property owners two years after incurred. Assessment notes finance the costs incurred over a one-year period. In 2021, the City retired \$20,200 in special assessment notes for City services that were issued in 2019 and issued \$20,100 in special assessment notes for City services that will mature on December 1, 2023. The \$20,700 of special assessment notes for City services issued in 2020 will mature December 1, 2022.

The City carries notes in the Storm Sewer Fund (a nonmajor enterprise fund) to cover the capital costs related to the City's improvement of the storm sewer drainage system by constructing a storm sewer main and acquisition of necessary easements. On November 18, 2021, the City issued \$700 of General Obligation Notes for the purpose of supporting storm sewer capital projects. The notes will be retired from the Storm Sewer Fund (a nonmajor enterprise fund).

City of Toledo, Ohio
Notes to the Basic Financial Statements
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NOTE 9 – LONG-TERM OBLIGATIONS

Due to the implementation of GASB Statement No. 87 and GASB Statement No. 96, at December 31, 2020, the City has reported obligations for subscription-based information technology arrangements payable and leases payable which are reflected in the schedule below (see Note 16). The City's Governmental Activities Long-Term Obligations at December 31, 2021 and a schedule of current year activity follows.

	Issue Date	Maturity Date	Interest Rate (%)	Original Issue Amount	Restated Balance 1/1/2021	Increase	Decrease	Balance 12/31/2021	Amount Due In One Year
Government Activities:									
General Obligation Bonds:									
Capital Projects	Various	Various	1.50-6.08	\$ 147,370	\$ 108,741	\$ -	\$ (12,371)	\$ 96,370	\$ 12,821
Unamortized Premiums	Various	Various	N/A	13,512	9,485	-	(936)	8,549	-
Total General Obligation Bonds				<u>160,882</u>	<u>118,226</u>	<u>-</u>	<u>(13,307)</u>	<u>104,919</u>	<u>12,821</u>
Non-Tax Revenue Bonds:									
Marina Area Refunding (Series 2019B)	2019	2032	2.60-5.00	3,555	3,500	-	(55)	3,445	55
Vehicle Storage Project Refunding (Series 2019A)	2019	2026	5.00	3,725	3,265	-	(480)	2,785	500
Medco Project Refunding (Series 2019C)	2019	2039	2.55-5.00	4,515	4,355	-	(160)	4,195	170
Unamortized Premiums				569	487	-	(76)	411	-
Total Non-Tax Revenue Bonds				<u>12,364</u>	<u>11,607</u>	<u>-</u>	<u>(771)</u>	<u>10,836</u>	<u>725</u>
Loans Outstanding:									
State Agencies (Direct Borrowing):									
Ohio Public Works Commission									
Capital Projects	Various	Various	0.00	10,040	4,318	519	(572)	4,265	572
Ohio Water Dev Authority									
Capital Projects	Various	Various	4.02-4.12	9,843	147	-	(147)	-	-
State Infrastructure Bank									
Marina District - Riverside	2010	2019	3.00	3,968	1,734	-	(414)	1,320	427
Total Loans from State Agencies				<u>23,851</u>	<u>6,199</u>	<u>519</u>	<u>(1,133)</u>	<u>5,585</u>	<u>999</u>
Other Loans (Direct Borrowing):									
JobsOhio Capital Projects	Various	Various	0.00-6.55	650	650	-	(650)	-	-
Total Loans Outstanding				<u>24,501</u>	<u>6,849</u>	<u>519</u>	<u>(1,783)</u>	<u>5,585</u>	<u>999</u>
Lease-Purchase Notes Payable (Direct Borrowing):									
Single & Double Axle Trucks	2015	2021	1.85	4,997	341	-	(341)	-	-
Police Vehicles	2021	2024	8.05	828	-	828	(183)	645	276
Total Lease-Purchase Notes Payable				<u>5,825</u>	<u>341</u>	<u>828</u>	<u>(524)</u>	<u>645</u>	<u>276</u>
Other Obligations:									
Landfill Closure					15,863	-	(5,836)	10,027	-
Compensated Absences					32,553	3,198	(283)	35,468	314
Subscription-Based Information									
Technology Arrangements Payable					1,595	1,438	(901)	2,132	783
Lease Payable					81	-	(22)	59	22
Net Pension Liability					328,533	-	(18,521)	310,012	-
Net OPEB Liability					86,307	-	(45,957)	40,350	-
Total Other Obligations					<u>464,932</u>	<u>4,636</u>	<u>(71,520)</u>	<u>398,048</u>	<u>1,119</u>
Total Governmental Activities					<u>\$ 601,955</u>	<u>\$ 5,983</u>	<u>\$ (87,905)</u>	<u>\$ 520,033</u>	<u>\$ 15,940</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 9 – LONG-TERM OBLIGATIONS (continued)

Internal service funds predominately serve the governmental funds. The long-term liabilities for all the internal service fund compensated absences, lease-purchase notes payable are included in the totals for the governmental activities.

The following is a schedule of Future Principal and Interest Payments to retire the Long-Term Obligations Outstanding at December 31, 2021 for the City's Governmental Activities:

Year	General Obligation Bonds			Non-Taxable Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 12,821	\$ 3,703	\$ 16,524	\$ 725	\$ 384	\$ 1,109
2023	12,585	3,216	15,801	765	348	1,113
2024	9,740	2,700	12,440	810	310	1,120
2025	10,205	2,297	12,502	845	269	1,114
2026	8,735	1,921	10,656	885	233	1,118
2027-2031	34,100	4,838	38,938	3,675	776	4,451
2032-2036	8,184	607	8,791	1,845	296	2,141
2037-2039	-	-	-	875	60	935
	<u>\$ 96,370</u>	<u>\$ 19,282</u>	<u>\$ 115,652</u>	<u>\$ 10,425</u>	<u>\$ 2,676</u>	<u>\$ 13,101</u>

Year	State Agency Loans (Direct Borrowings)			Lease-Purchase Notes Payable (Direct Borrowings)		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 999	\$ 36	\$ 1,035	\$ 276	\$ 24	\$ 300
2023	1,040	24	1,064	276	24	300
2024	1,053	10	1,063	93	8	101
2025	564	-	564	-	-	-
2026	497	-	497	-	-	-
2027-2031	1,243	-	1,243	-	-	-
2032-2036	150	-	150	-	-	-
2037-2039	39	-	39	-	-	-
	<u>\$ 5,585</u>	<u>\$ 70</u>	<u>\$ 5,655</u>	<u>\$ 645</u>	<u>\$ 56</u>	<u>\$ 701</u>

Year	Lease Payable			Subscription-Based Information Technology Arrangements Payable		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 22	\$ 1	\$ 23	\$ 783	\$ 65	\$ 848
2023	22	1	23	527	41	568
2024	15	-	15	543	25	568
2025	-	-	-	279	9	288
	<u>\$ 59</u>	<u>\$ 2</u>	<u>\$ 61</u>	<u>\$ 2,132</u>	<u>\$ 140</u>	<u>\$ 2,272</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
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NOTE 9 – LONG-TERM OBLIGATIONS (continued)

The City's Business-Type Activities Long-Term Obligations at December 31, 2021 and a schedule of current year activity are as follows.

Business-Type Activities	Issue Date	Maturity Date	Interest Rate (%)	Original Issue Amount	Balance 1/1/2021	Increase	Decrease	Balance 12/31/2021	Amount Due In One Year
General Obligation Bonds:									
Tow Lot (Series 2015)	2015	2024	4.00-5.00	\$ 1,305	\$ 610	\$ -	\$ (150)	\$ 460	\$ 150
Property Management Premium	Various	Various	2.00-7.00	12,055	7,375	-	(840)	6,535	665
	Various	Various	-	150	141	-	(18)	123	-
Total General Obligation Bonds					8,126	-	(1,008)	7,118	815
Revenue Obligation Bonds:									
Water System Premium	Various	Various	2.00-5.00	398,805	360,075	-	(35,415)	324,660	8,986
Sanitary Sewer System Premium	Various	Various	N/A	60,005	51,718	-	(3,548)	48,170	-
	Various	Various	2.00-5.00	18,765	8,245	-	(1,025)	7,220	1,025
	Various	Various	N/A	1,003	555	-	(70)	485	-
Total Revenue Obligation Bonds					420,593	-	(40,058)	380,535	10,011
Bond Anticipation Notes:									
Water System	2019	2021	2.20	30,000	30,000	-	(30,000)	-	-
Water System	2021	2023	1.59	30,000	-	30,000	-	30,000	-
Total Bond Anticipation Notes					30,000	30,000	(30,000)	30,000	-
Loans Outstanding:									
State Agencies (Direct Borrowing):									
Ohio Public Works Commission									
Water System	Various	Various	0.00	2,249	1,509	-	(112)	1,397	112
Sanitary Sewer System	Various	Various	0.00	13,925	8,634	748	(646)	8,736	664
Storm Water System	Various	Various	0.00	2,445	1,041	-	(125)	916	125
Ohio Water Dev Authority									
Water System	Various	Various	0.00-3.25	242,525	98,083	66,894	(2,035)	162,942	6,553
Sanitary Sewer System	Various	Various	0.51-4.66	631,067	396,559	940	(29,038)	368,461	29,220
Storm Water System	Various	Various	2.25-3.34	1,727	1,434	-	(64)	1,370	76
Total State Agency Loans					507,260	68,582	(32,020)	543,822	36,750
Lease-Purchase Note Payable (Direct Borrowing):									
Norfolk Southern	2016	2035	2.50	2,967	2,553	-	(77)	2,476	82
Other Obligations:									
Compensated Absences					5,264	55	(222)	5,097	74
Net Pension Liability					39,083	-	(10,578)	28,505	-
Net OPEB Liability					27,229	-	(27,229)	-	-
Total Other Obligations					71,576	55	(38,029)	33,602	74
Total Business-Type Activities					\$ 1,040,108	\$ 98,637	\$ (141,192)	\$ 997,553	\$ 47,732

City of Toledo, Ohio
Notes to the Basic Financial Statements
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NOTE 9 – LONG-TERM OBLIGATIONS (continued)

The following is a schedule of Future Principal and Interest Payments to retire the Long-Term Obligations Outstanding at December 31, 2021 for the City’s Business-Type Activities:

Year	General Obligation Bonds			Revenue Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 815	\$ 209	\$ 1,024	\$ 10,011	\$ 16,409	\$ 26,420
2023	1,250	178	1,428	13,655	15,917	29,572
2024	1,295	131	1,426	11,545	15,251	26,796
2025	1,075	83	1,158	13,135	14,718	27,853
2026	840	51	891	14,045	14,078	28,123
2027-2031	1,720	52	1,772	79,670	59,385	139,055
2032-2036	-	-	-	100,545	37,903	138,448
2037-2041	-	-	-	82,960	11,633	94,593
2042-2044	-	-	-	6,314	316	6,630
	<u>\$ 6,995</u>	<u>\$ 704</u>	<u>\$ 7,699</u>	<u>\$ 331,880</u>	<u>\$ 185,610</u>	<u>\$ 517,490</u>

Year	State Agency Loans ⁽¹⁾ (Direct Borrowings)			Lease-Purchase Note Payable (Direct Borrowings)		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 36,750	\$ 12,105	\$ 48,855	\$ 82	\$ 62	\$ 144
2023	34,374	10,349	44,723	87	60	147
2024	36,978	9,874	46,852	91	58	149
2025	37,713	9,032	46,745	97	55	152
2026	36,880	8,139	45,019	102	53	155
2027-2031	153,105	29,014	182,119	601	224	825
2032-2036	126,037	13,798	139,835	1,416	119	1,535
2037-2041	56,829	4,183	61,012	-	-	-
2042-2046	9,740	1,918	11,658	-	-	-
2047-2051	8,655	885	9,540	-	-	-
2052-2053	1,728	64	1,792	-	-	-
	<u>\$ 538,789</u>	<u>\$ 99,361</u>	<u>\$ 638,150</u>	<u>\$ 2,476</u>	<u>\$ 631</u>	<u>\$ 3,107</u>

⁽¹⁾ The following OWDA loans were in transit at year-end. The total loans in transit are included as loans payable on the City’s financial statements, however, the total amount of \$5,033 is not reflected in the above amortization schedule of future debt service payments as a revised amortization schedule for these loans are not available.

OWDA Loan	Fund	Description	Amount
8416	Water	Collins Park WTP, Basins 5 and 6 Upgrades	309
8654	Water	Collins Park WTP, Basins 1 through 4 Upgrades	943
8792	Water	Filter and Pipe Gallery Upgrade Improvements	3,360
9174	Water	High Service Pump Station Improvements	421
		Total	<u>\$ 5,033</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
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(Amounts in Thousands)

NOTE 9 – LONG-TERM OBLIGATIONS (continued)

New Bond and Loans Issuances Supporting Governmental Activities

Ohio Public Works Commission (OPWC) loans

During 2021, the City issued ten OPWC loans totaling \$519 supporting Governmental Activities. These loans supported the following road improvement projects: LaGrange Street from Utica to Oakland, East Central Avenue from Brigham to Buckeye, Alexis Road from Talmadge to Jackman, Coining Drive from Jackman to Transport, Enterprise Blvd from Alexis to Matzinger, Oak Street from Woodville to Front, Hill Avenue from I-475 to Holland-Sylvania Road, Marine Road from Byrne to Y, Dorr Street from Reynolds to Byrne, and Airport Highway from Byrne to South. The loans will be retired from the Capital Improvements Fund.

Lease-Purchase Note Payable

On June 1, 2021, the City entered into a three-year lease-purchase note payable for the acquisition of police vehicles. The note bears an interest rate of 8.046% and matures May 1, 2024. Principal and interest payments are made from the Capital Improvements Fund.

Subscription-Based Information Technology Agreements (SBITA) Payable

The City entered into \$3,033 of SBITAs for the right to use technology and software. Of this total, \$1,438 were entered into during 2021 with the remainder entered into prior to 2021. The future payments on the SBITAs continue through 2025. Due to the implementation of GASB Statement No. 96, the City will report an intangible capital asset and corresponding liability for the future scheduled payments under the agreements.

Lease Payable

The City has entered into a \$81 lease agreement for the use for the right to use equipment. The lease was entered into in 2019 for a five-year period. Due to the implementation of GASB Statement No. 87, the City will report an intangible capital asset and corresponding liability for the future scheduled payments under the lease.

New Bond, Note and Loan Issuances Supporting Business-Type Activities

Water System Revenue Bonds, Series 2018

During 2021, the City issued \$30,000 in 2021 Water System Revenue Bonds to retire previously issued Series 2019 Water Bond Anticipation Notes issued for continued improvements at the Collins Park Water Treatment plant. The City expects to spend this amount on capital improvements at the Collins Park Water Treatment plant through 2022. The bond anticipation notes will be retired from the Water Fund.

Ohio Public Works Commission (OPWC) loans

During 2021, the City issued two OPWC loans totaling \$748 supporting the Sanitary Sewer System. The loans were issued to finance a Large Diameter Sewer Rehabilitation and a Sanitary Sewer Lining. These loans will be retired from the Sewer Fund.

Ohio Water Development Authority (OWDA) loans

During 2021, the City issued eight OWDA loans totaling \$66,894 supporting the Water System (including \$354 of capitalized interest). The loans in 2021 were issued to finance the following construction and improvement projects: Ozone Treatment Facilities, Collins Park Treatment Plant Basin Upgrades, and Filter and Pipe Gallery Upgrades, High Service Pump Station Improvements, and the refinancing of the City's 2012A Water Bonds under the OWDA's Fresh Water Refinance Loan Program. These loans will be retired from the Water Fund.

During 2021, the City issued three OWDA loans totaling \$1,490 supporting the Sanitary Sewer System. The new loans in 2021 were issued to finance the following construction and improvement projects: Discharge Elimination Program, Swan Creek North, and Downtown Storage Basin. These loans will be retired from the Sewer Fund.

City of Toledo, Ohio
Notes to the Basic Financial Statements
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NOTE 9 – LONG-TERM OBLIGATIONS (continued)

Defeased Debt

During 2018, the City in-substance defeased \$3,250 of general obligation bonds previously issued for the purchase of the LaSalle property. The City sold the property and used the proceeds to establish an escrow account to make future debt service requirements on the debt. On November 22, 2017 the City authorized an escrow agreement with The Bank New York Mellon Trust Company, N.A. to serve as the trustee of funds that are irrevocably committed to pay for debt service related to the LaSalle property bonds. As of December 31, 2021, the balance of the refunded bonds was \$1,700. Since the bonds are in-substance defeased, neither the refunded bonds or the escrow account are reported on the financial statements.

General Obligation Bonds

General obligation bonds are general obligations of the City for which the full faith and credit of the City is pledged for repayment.

Revenue Obligations Bonds

Revenue bonds are supported by pledged future revenues, net of specified operating expenses. Revenue bonds do not represent a general obligation debt or a pledge of the full faith and credit or taxing power of the City.

Governmental Activities: The City has issued non-tax revenue bonds to finance projects and refund previously issued bonds. The 2021 principal and interest payments on the non-tax revenue bonds required 2.05% of General Fund net revenues. Principal and interest paid for the current year and total General Fund net revenues were \$1,114 and \$54,361, respectively.

Business-Type Activities: The City has issued revenue bonds to support Water and Sewer operations. The 2021 principal and interest payments on the Water revenue bonds required 55.10% of net revenues. Principal and interest paid for the current year and total net revenues were \$27,139 and \$49,254, respectively. The 2021 principal and interest payments on the Sewer revenue bonds required 2.20% of net revenues. Principal and interest paid for the current year and total net revenues were \$1,417 and \$64,423, respectively.

Bond Anticipation Notes

During 2021, the City issued \$30,000 in 2021 Water Bond Anticipation Notes to retire previously issued Series 2019 Water Bond Anticipation Notes issued for continued improvements at the Collins Park Water Treatment plant. The City expects to spend this amount on capital improvements at the Collins Park Water Treatment plant through 2023. The notes mature in 2023 and will be retired from the Water Fund through the issuance of bonds.

Ohio Public Works Commission

Ohio Public Works Commission (OPWC) extends both grants and loans to the City. Monies received by the City after the grant commitment has been fulfilled by OPWC are then considered loans. Only the loan portion need be repaid by the City. All OPWC loans are interest free.

OPWC loans are direct borrowings that have terms negotiated directly between the City and the OPWC and are not offered for public sale. In the event of default, the OPWC may (1) charge an 8% default interest rate from the date of the default to the date of the payment and charge the City for all costs incurred by the OPWC in curing the default, (2) in accordance with Ohio Revised Code 164.05, direct the county treasurer of the county in which the City is located to pay the amount of the default from funds that would otherwise be appropriated to the City from such county's undivided local government fund pursuant to ORC 5747.51-5747.53, or (3) at its discretion, declare the entire principal amount of loan then remaining unpaid, together with all accrued interest and other charges, become immediately due and payable.

City of Toledo, Ohio
Notes to the Basic Financial Statements
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NOTE 9 – LONG-TERM OBLIGATIONS (continued)

Ohio Water Development Authority

Loans payable to the Ohio Water Development Authority (OWDA) are authorized by the Clean Water Act and authorized by the administration of the Environmental Protection Agency (EPA) to make grants to States to establish a state water pollution control revolving loan program. The amount of these loans outstanding at December 31, 2021 was \$532, 773. Of this amount, \$162,942 are obligations incurred to help finance the water distribution system and are to be repaid from charges from water services. Of this amount, \$368,461 are obligations incurred to help finance the sanitary sewage facilities and are to be repaid from charges from sanitary sewer services; \$1,370 are obligations incurred to help finance storm sewer and bio-swale services.

OWDA loans are direct borrowings that have terms negotiated directly between the City and the OWDA and are not offered for public sale. In the event of default, the OWDA may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

State Infrastructure Bank Loan

The City has entered into State Infrastructure Bank loan agreement with the Ohio Department of Transportation (ODOT) pursuant to which ODOT provided to the City a loan totaling \$3,968 to pay costs of certain street improvements in the City’s Marina District. The aggregate outstanding principal amount of the City’s obligations under the ODOT loan agreement was \$1,320 as of December 31, 2021.

State Infrastructure Bank loans are direct borrowings that have terms negotiated directly between the City and the ODOT and are not offered for public sale. In the event of default, the ODOT may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

JobsOhio Capital Projects Loan

In 2015, the City entered into a loan agreement with JobsOhio for \$650 for a term of 15 years at 1% interest (“the loan”). The loan includes deferral of all interest and principal payments for five years. If, by December 31, 2019 Fiat Chrysler Automobiles retains 4,110 existing jobs and \$282 million in payroll while also maintaining and expanding the Wrangler production facility in Toledo, the loan will be forgiven and all obligation of the City for repayment will be released. On April 27, 2021, JobsOhio cancelled the loan obligation and the forgiveness has been reported as a gain on debt forgiveness in the financial statements.

Landfill Closure and Post-Closure Care Costs

The City operates the Hoffman Road landfill and accounts for this activity in the General Fund. State and federal regulations require the City to place a final cover on the Hoffman Road site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty (30) years after closure. The closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste. The City records a liability in the Government- Wide Statement of Net Position for the closure and post-closure care costs based on landfill capacity used as of each balance sheet date. A new cell was constructed in 2005 resulting in an increase in constructed disposal capacity; therefore, the landfill can continue to accept solid waste. A permit modification, received in June 2021, increases the total permitted disposal capacity by 6,875,693 cubic yards to a total of 27,145,143 cubic yards. Accordingly, the percentage used relative to the permitted capacity in 2021 decreases notably compared to previous reporting years. Based on the remaining permitted air space and estimated annual tonnage to be taken in assuming it remains the same as the reporting year, the estimated remaining life of the landfill is 80 years.

City of Toledo, Ohio
Notes to the Basic Financial Statements
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NOTE 9 – LONG-TERM OBLIGATIONS (continued)

Landfill Closure and Post-Closure Care Costs (continued)

The \$10,027 reported as landfill closure and post-closure care liability at December 31, 2021 represents the cumulative amount reported to date based on the use of 49.5 % of the permitted disposal capacity of the landfill. The worst-case closure scenario pursuant to Ohio Administrative Code (OAC) 3745-27-15 (C)(1)(a) was updated with the new permit in 2021. The closure cost estimate for financial assurance purposes was updated accordingly, while the base post-closure care costs remain unchanged. Each are adjusted annually by an inflation factor published by the Ohio Environmental Protection Agency. The City will recognize the remaining estimated cost of closure and post-closure care of \$ \$10,229 as the remaining permitted capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2021 using the worst-case scenario determined by the permit to install. Actual costs may be higher due to inflation, changes in technology, or changes in regulation.

Pollution Remediation, Water and Sewer Infrastructure Liabilities

Toledo Waterways Initiative

Upon citizen approval in 2002, the City of Toledo launched the Toledo Waterways Initiative (TWI) to eliminate the majority of these overflows and reduce water pollution. TWI will reduce contaminants in the City's rivers, streams and Lake Erie by building several types of structures to hold, separate or divert storm and waste water during periods of heavy rain and funneling this water for treatment before being returned to the waterways.

As of August 31, 2020, the TWI construction program is 100% complete at a cost of \$527 million. The program entered the Compliance Phase of the program in April of 2022 which will initiated a 12-month effort to collect data on all the facilities with the TWI program, a final report will be due within a 6-month period.

Collins Park Water Treatment Capital Improvements

The City is currently implementing a \$500,000 program of water system improvements that began in 2012 and will continue through 2024. The program is based on an Ohio EPA approved General Plan having the following objectives: a) improve treated water quality and provide redundant treatment capacity; b) replace, upgrade, and modernize existing infrastructure; and c) install short and long term Harmful Algae Bloom treatment barriers. Current projects now under construction include new ozone treatment improvements (2022); upgrades to the existing treatment Basins 5 and 6 (2022); rebuild of the existing filters and renovation of equipment and valves in the plant piping galleries (2023); upgrades to the existing treatment Basins 1 through 4 (2023); and improvements to the High Service Pumping Station (2023).

As of May 2021, \$512,990 of financing has been secured for the water system improvements, comprised of municipal revenue bond issuances in 2012, 2013, 2016 and 2018; Ohio Water Development Authority (OWDA) loans in 2012, 2014, 2019 and 2021; and Ohio EPA Water Supply Revolving Loan Application (WSRLA) loans in 2015, 2018 and 2019. Outstanding obligation related to this project are disclosed in the city's debt schedules.

Water rate adjustments effective January 1, 2020 through 2023 have been authorized by City Council to retire existing water system debt. The city will reassess the existing rate structure annually and anticipates future rate adjustments in 2024 through 2027 to retire new water system debt.

Compensated absences

Compensated absences will be paid from the fund from which the employees' salaries are paid. In 2021, compensated absences in the Governmental Activities were liquidated at a rate of approximately 87.1 percent from the general fund, 10.1 percent from other governmental funds, and 2.8 percent from the internal service funds. Compensated absences in the Business-Type Activities were liquidated primarily from the Water and Sewer Enterprise Funds.

City of Toledo, Ohio
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NOTE 9 – LONG-TERM OBLIGATIONS (continued)

Net Pension Liability and Net OPEB Liability

The City pays obligations related to employee compensation from the fund benefitting from their service. See Notes 13 and 14 for further information.

NOTE 10 – OTHER COMMITMENTS

Energy Special Improvement District

The City of Toledo and the Toledo-Lucas County Port Authority (Port Authority) have partnered to create an Energy Special Improvement District (District). A non-profit corporation, known as the Toledo Ohio Advanced Energy Improvement Corporation (Corporation), with representatives of the City and the Port Authority, governs the District. The City, the Port Authority and the Corporation entered into an Energy Services Agreement which sets forth a process by which the parties will cooperate with one another to provide certain special energy improvement projects, including energy efficiency improvements to City buildings and facilities. Beginning in calendar year 2014, as part of the agreement, the City has begun a special assessment process whereby the City is assessed on a semi-annual basis.

The initial funding for those energy efficiency improvements is provided by bonds issued by the Port Authority in the approximate amount of \$5,349. Those funds will be loaned to the Corporation for purpose of paying the contractors doing the work and paying the other costs of the various improvements.

The legislation creating the Energy Services Agreement and its amendment commit the City to completing the special assessment process through the passage of an Assessing Ordinance when various energy efficiency improvements are completed and final costs are known.

Encumbrances

Outstanding 2021 encumbrances will be funded with 2021 budgetary resources. Outstanding encumbrances for the Year Ended December 31, 2021 were as follows:

Governmental Funds:

General	\$ 1,956
Capital Improvements	12,591
Special Assessments Services	827
Nonmajor Governmental	<u>13,551</u>
Total Governmental Funds	<u>28,925</u>

Enterprise Funds:

Water	80,495
Sewer	9,021
Utility Administrative Services	13
Nonmajor Enterprise	<u>1,922</u>
Total Enterprise Funds	<u>91,451</u>

Internal Service Funds

	<u>2,192</u>
Total	<u>\$ 122,568</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
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NOTE 11 – INTERFUND ACTIVITY

For the City’s governmental funds and internal service funds, interfund balances are a result of the City holding all governmental activities “Cash and cash equivalents with Treasurer” within the Treasury Fund, which is reported as part of the General Fund under Governmental Accounting Standards Board Statement No. 54. Since the Treasury Fund records all cash transactions, amounts paid by the Treasury Fund result in an interfund payable within other governmental funds. Likewise, amounts received into the Treasury Fund result in an interfund receivable within other governmental funds.

For the City’s enterprise funds, interfund balances result from amounts due to/from the utility administrative fund. All utility revenues are deposited into the utility administrative services fund and all enterprise expenses are paid out of this fund’s bank account. Amounts are allocated monthly to the City’s other enterprise bank accounts. However, the timing delay between revenue and expense transactions and their respective allocation result in interfund balances.

The amounts below represent the net balance of amounts due to and due from City funds as of December 31, 2021.

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<i>Governmental Funds:</i>		
General	\$ -	\$ 91,763
Capital Improvements	59,033	-
Special Assessments Services	-	17,954
Local Fiscal Recovery	-	5,244
Nonmajor Governmental	<u>52,645</u>	<u>12,629</u>
Total Governmental Funds	<u>111,678</u>	<u>127,590</u>
<i>Enterprise Funds:</i>		
Water	-	84,355
Sewer	66,318	-
Utility Administrative Services	6,240	-
Nonmajor Enterprise	<u>992</u>	<u>840</u>
Total Enterprise Funds	<u>73,550</u>	<u>85,195</u>
<i>Internal Service Funds</i>	<u>29,014</u>	<u>1,457</u>
Total	<u>\$ 214,242</u>	<u>\$ 214,242</u>

The amounts below represent the balance of interfund loans between City funds as of December 31, 2021.

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
<i>Enterprise Funds:</i>		
Water	\$ 41,645	\$ -
Sewer	<u>-</u>	<u>41,645</u>
Total Enterprise Funds	<u>\$ 41,645</u>	<u>\$ 41,645</u>

During 2020, the City made a \$41,645 interfund loan from the Water Fund to the Sewer Fund to finance the Sewer Fund’s portion of the Automated Meter Reading (AMR)/Advanced Metering Infrastructure (AMI) and Leak Detection System (the Project). To finance the Project, the City issued \$78,090 in Series 2020 water system revenue bonds. In accordance with a Cost Allocation Certificate, \$41,645 was determined to be the Sewer’s portion of the project. The Water fund made an interfund loan to the Sewer Fund. The interfund loan will be paid over the life of the bonds.

City of Toledo, Ohio
Notes to the Basic Financial Statements
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NOTE 11 – INTERFUND ACTIVITY (continued)

Interfund transfers for the Year Ended December 31, 2021, consisted of the following, as reported on the Fund Statements:

Transfers Out	Transfers In						Total
	General Fund	Capital Improvements	Nonmajor Governmental Funds	Water Fund	Sewer Fund	Nonmajor Enterprise Funds	
Governmental Funds:							
General	\$ 540	\$ 44,235	\$ 745	\$ -	\$ -	\$ -	\$ 45,520
Capital Improvements	-	-	17,995	-	-	1,064	19,059
Nonmajor Governmental	-	792	225	-	-	-	1,017
Total Governmental Funds	540	45,027	18,965	-	-	1,064	65,596
Enterprise Funds:							
Water	-	71	75	-	-	-	146
Sewer	-	-	75	-	-	-	75
Utility Administrative Services	-	-	-	2,538	2,767	300	5,605
Nonmajor Enterprise Funds	1,747	-	75	-	-	-	1,822
Total Enterprise Funds	1,747	71	225	2,538	2,767	300	7,648
Total	\$ 2,287	\$ 45,098	\$ 19,190	\$ 2,538	\$ 2,767	\$ 1,364	\$ 73,244

In 2021, the General Fund transferred \$44,235 into the Capital Improvement Fund. This amount represents 2021 income tax collection amounts required and authorized by Toledo Municipal Code, Toledo City Council, and the Mayor.

City of Toledo, Ohio
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NOTE 12 – FUND BALANCE

A summary of Fund Balances as of December 31, 2021 by category is as follows:

	General	Capital Improvements	Special Assessments Services	Local Fiscal Recovery	Nonmajor Governmental	Total
<i>Nonspendable:</i>						
Inventory	\$ 2,096	\$ 939	\$ 4,196	\$ -	\$ 1,258	\$ 8,489
Cemetery Perpetual Care	-	-	-	-	683	683
Total Nonspendable	<u>2,096</u>	<u>939</u>	<u>4,196</u>	<u>-</u>	<u>1,941</u>	<u>9,172</u>
<i>Restricted for:</i>						
Cemetery Perpetual Care	-	-	-	-	13	13
Landfill Activities	3,828	-	-	-	-	3,828
Capital Improvements	-	51,689	-	-	-	51,689
Grant Programs	-	-	-	-	21,953	21,953
Street Projects	-	-	-	-	6,662	6,662
Special Assessments	-	-	515	-	-	515
Various Trust Purposes	-	-	-	-	14,309	14,309
Westfield Muni Public Improvement TIF	-	-	-	-	12,754	12,754
Downtown Toledo Parking	-	-	-	-	424	424
Right of Way Activities	-	-	-	-	27	27
Debt Service	-	-	-	-	191	191
Total Restricted	<u>3,828</u>	<u>51,689</u>	<u>515</u>	<u>-</u>	<u>56,333</u>	<u>112,365</u>
<i>Committed to:</i>						
Budget Stabilization	12,447	-	-	-	-	12,447
Cemetery Activities	-	-	-	-	771	771
General Obligation Debt	-	-	-	-	342	342
Facilities Maintenance	-	-	-	-	712	712
Parks and Recreation	-	-	-	-	99	99
Total Committed	<u>12,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,924</u>	<u>14,371</u>
<i>Assigned for:</i>						
Subsequent year appropriations	<u>4,723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,723</u>
Unassigned (deficit)	<u>31,593</u>	<u>-</u>	<u>(59,731)</u>	<u>(551)</u>	<u>(10,331)</u>	<u>(39,020)</u>
Total Fund Balances	<u>\$ 54,687</u>	<u>\$ 52,628</u>	<u>\$ (55,020)</u>	<u>\$ (551)</u>	<u>\$ 49,867</u>	<u>\$ 101,611</u>

The City maintains monies that are committed by City Council for Budget Stabilization to cover unexpected revenue shortfalls and/or expenditure increases. The City did not utilize these monies in 2021. Consistent with its policy of adding to the Budget Stabilization set forth in an ordinance passed by City Council in 1998, the City intends to restore and then increase the committed amount for Budget Stabilization each year by an amount equal to one-half the amount by which actual annual General Fund Revenues exceed actual annual General Fund Expenditures for the prior year. Withdrawals are permitted only when income tax revenues for any calendar year will represent an annual growth rate which is 1.5% or more below the average annual growth rate over an economic cycle. In accordance with Ohio Revised Code Section 5705.13, the Budget Stabilization commitment cannot exceed 5% of the previous year's revenue credited to the General Fund.

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NOTE 13 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability and Net OPEB Liability/Asset

Pensions and OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability and the net OPEB liability/asset represent the City’s proportionate share of each pension/OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan’s fiduciary net position. The net pension/OPEB liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost-of-living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability/asset is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension/OPEB liability/asset on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in due to other governments on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the pension disclosures. See Note 14 for the OPEB disclosures.

Plan Description - Ohio Public Employees Retirement System (OPERS) (continued)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in the OPERS’ Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

City of Toledo, Ohio
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NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - Ohio Public Employees Retirement System (OPERS) (continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Annual Report referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Final Average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member’s pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

City of Toledo, Ohio
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - Ohio Public Employees Retirement System (OPERS) (continued)

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2021 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2021 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits ****	0.0 %
Total Employer	14.0 %
Employee	10.0 %

* This rate is determined by OPERS' Board and has no maximum rate es

**** This employer health care rate is for the traditional and combined plan contribution for the member-directed plan is 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution for the Traditional Pension Plan was \$11,077 for 2021. Of this amount, \$254 is reported as accrued wages and benefits.

City of Toledo, Ohio
Notes to the Basic Financial Statements
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NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - Ohio Police & Fire Pension Fund (OP&F)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.00% of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.00% or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

City of Toledo, Ohio
Notes to the Basic Financial Statements
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NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - Ohio Police & Fire Pension Fund (OP&F) (continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2021 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2021 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$20,800 for 2021. Of this amount, \$453 is reported as accrued wages and benefits.

Net Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability and net pension asset for OPERS was measured as of December 31, 2020, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2020, and was determined by rolling forward the total pension liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

City of Toledo, Ohio
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NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

Net Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Following is information related to the proportionate share and pension expense:

	OPERS - Traditional	OP&F	Total
Proportion of the net pension liability prior measurement date	0.54850800%	3.84768700%	
Proportion of the net pension liability current measurement date	<u>0.53280800%</u>	<u>3.80837310%</u>	
Change in proportionate share	<u>-0.01570000%</u>	<u>-0.03931390%</u>	
Proportionate share of the net pension liability	\$ 78,897	\$ 259,620	\$ 338,517
Pension expense	1,050	17,508	18,558

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OP&F	Total
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 10,854	\$ 10,854
Changes of assumptions	-	4,354	4,354
Changes in employer's proportionate percentage/difference between employer contributions	960	260	1,220
Contributions subsequent to the measurement date	11,077	20,800	31,877
Total deferred outflows of resources	<u>\$ 12,037</u>	<u>\$ 36,268</u>	<u>\$ 48,305</u>

City of Toledo, Ohio
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NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

Net Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

	OPERS - Traditional	OP&F	Total
Deferred inflows of resources			
Differences between expected and actual experience	\$ 3,300	\$ 10,115	\$ 13,415
Net difference between projected and actual earnings on pension plan investments	30,752	12,593	43,345
Changes in employer's proportionate percentage/difference between employer contributions	2,826	8,552	11,378
Total deferred inflows of resources	<u>\$ 36,878</u>	<u>\$ 31,260</u>	<u>\$ 68,138</u>

\$31,877 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS - Traditional	OP&F	Total
2022	\$ (14,077)	\$ (4,833)	\$ (18,910)
2023	(5,112)	3,244	(1,868)
2024	(12,535)	(12,401)	(24,936)
2025	(4,194)	(1,972)	(6,166)
2026	-	170	170
Thereafter	-	-	-
Total	<u>\$ (35,918)</u>	<u>\$ (15,792)</u>	<u>\$ (51,710)</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
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NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2020, are presented below.

Wage inflation	3.25%
Future salary increases, including inflation COLA or ad hoc COLA	3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 0.50%, simple through 2021, then 2.15% simple
Investment rate of return	
Current measurement date	7.20%
Prior measurement date	7.20%
Actuarial cost method	Individual entry age

In October 2020, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 1.40% simple through 2020 then 2.15% simple to 0.50% simple through 2021 then 2.15% simple.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

During 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 11.70% for 2020.

City of Toledo, Ohio
Notes to the Basic Financial Statements
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NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – OPERS (continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board’s investment consultant.

For each major asset class that is included in the Defined Benefit portfolio’s target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	25.00 %	1.32 %
Domestic equities	21.00	5.64
Real estate	10.00	5.39
Private equity	12.00	10.42
International equities	23.00	7.36
Other investments	9.00	4.75
Total	<u>100.00 %</u>	<u>5.43 %</u>

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2020 was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate - The following table presents the proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.20%, as well as what the proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.20%) or one-percentage-point higher (8.20%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability: Traditional Pension Plan	\$ 150,497	\$ 78,897	\$ 19,362

City of Toledo, Ohio
Notes to the Basic Financial Statements
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NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2021, are presented below.

Valuation date	1/1/20 with actuarial liabilities rolled forward to 12/31/20
Actuarial cost method	Entry age normal (level percent of payroll)
Investment rate of return	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25% per annum, compounded annually, consisting of
	inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of living adjustments	2.20% per year simple

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

Age	Police	Fire
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The most recent experience study was completed for the five-year period ended December 31, 2016.

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NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - OP&F (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy and Guidelines. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2020 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return **</u>
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income *	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation		
Linked Bonds *	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	<u>125.00 %</u>	

Note: assumptions are geometric.

* levered 2.5x

** numbers include inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total pension liability was calculated using the discount rate of 8.00%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

City of Toledo, Ohio
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NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - OP&F (continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%), or one percentage point higher (9.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$ 361,425	\$ 259,620	\$ 174,420

NOTE 14 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 13 for a description of the net OPEB liability/asset.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

City of Toledo, Ohio
Notes to the Basic Financial Statements
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NOTE 14 - DEFINED BENEFIT OPEB PLANS (continued)

Plan Description - Ohio Public Employees Retirement System (OPERS) (continued)

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City was not required to make contractually required contributions to OPERS to fund healthcare during 2020.

City of Toledo, Ohio
Notes to the Basic Financial Statements
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NOTE 14 - DEFINED BENEFIT OPEB PLANS (continued)

Plan Description - Ohio Police & Fire Pension Fund (OP&F)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

OP&F maintains funds for health care in two separate accounts: one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.50% and 24.00% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2021, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contractually required contribution to OP&F was \$491 for 2021. Of this amount, \$11 is reported as due to other governments.

City of Toledo, Ohio
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NOTE 14 - DEFINED BENEFIT OPEB PLANS (continued)

Net OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability/asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2020, and was determined by rolling forward the total OPEB liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.54681500%	3.84768700%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.53189800%</u>	<u>3.80837310%</u>	
Change in proportionate share	<u>-0.01491700%</u>	<u>-0.03931390%</u>	
Proportionate share of the net OPEB liability	\$ -	\$ 40,350	\$ 40,350
Proportionate share of the net OPEB (asset)	(9,475)	-	(9,475)
OPEB expense	(57,688)	3,196	(54,492)

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Changes of assumptions	\$ 4,659	\$ 22,287	\$ 26,946
Changes in employer's proportionate percentage/difference between employer contributions	599	-	599
Contributions subsequent to the measurement date	-	491	491
Total deferred outflows of resources	<u>\$ 5,258</u>	<u>\$ 22,778</u>	<u>\$ 28,036</u>

City of Toledo, Ohio
Notes to the Basic Financial Statements
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Net OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB (continued)

	OPERS	OP&F	Total
Deferred inflows of resources			
Differences between expected and actual experience	\$ 8,552	\$ 6,656	\$ 15,208
Net difference between projected and actual earnings on OPEB plan investments	5,047	1,499	6,546
Changes of assumptions	15,351	6,433	21,784
Changes in employer's proportionate percentage/difference between employer contributions	1,709	2,131	3,840
Total deferred inflows of resources	<u>\$ 30,659</u>	<u>\$ 16,719</u>	<u>\$ 47,378</u>

\$491 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2022	\$ (13,275)	\$ 1,068	\$ (12,207)
2023	(9,342)	1,423	(7,919)
2024	(2,193)	863	(1,330)
2025	(591)	1,094	503
2026	-	578	578
Thereafter	-	542	542
Total	<u>\$ (25,401)</u>	<u>\$ 5,568</u>	<u>\$ (19,833)</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020.

City of Toledo, Ohio
Notes to the Basic Financial Statements
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NOTE 14 - DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – OPERS (continued)

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25 to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	6.00%
Prior Measurement date	3.16%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.00%
Municipal Bond Rate	
Current measurement date	2.00%
Prior Measurement date	2.75%
Health Care Cost Trend Rate	
Current measurement date	8.50% initial, 3.50% ultimate in 2035
Prior Measurement date	10.50%, initial 3.50%, ultimate in 2030
Actuarial Cost Method	Individual Entry Age Normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 10.50% for 2020.

City of Toledo, Ohio
Notes to the Basic Financial Statements
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NOTE 14 - DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – OPERS (continued)

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.07 %
Domestic Equities	25.00	5.64
Real Estate Investment Trust	7.00	6.48
International Equities	25.00	7.36
Other investments	9.00	4.02
Total	<u>100.00 %</u>	<u>4.43 %</u>

Discount Rate - A single discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20- year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.00%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

Change in Benefit Terms - On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care Plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation which are reported by the City at December 31, 2021. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.

City of Toledo, Ohio
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NOTE 14 - DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – OPERS (continued)

Sensitivity of the City’s Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate - The following table presents the proportionate share of the net OPEB asset calculated using the single discount rate of 6.00%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.00%) or one-percentage-point higher (7.00%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB asset	\$ 2,356	\$ 9,475	\$ 15,329

Sensitivity of the City’s Proportionate Share of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate - Changes in the health care cost trend rate may also have a significant impact on the net OPEB asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	<u>1% Decrease</u>	<u>Current Health Care Trend Rate Assumption</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB asset	\$ 9,707	\$ 9,475	\$ 9,218

Actuarial Assumptions - OP&F

OP&F’s total OPEB liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

City of Toledo, Ohio
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NOTE 14 - DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions - OP&F (continued)

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25%
Single discount rate:	
Current measurement date	2.96%
Prior measurement date	3.56%
Cost of Living Adjustments	2.20% simple per year

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The most recent experience study was completed for the five-year period ended December 31, 2016.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

City of Toledo, Ohio
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NOTE 14 - DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions - OP&F (continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2020, are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return **
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income *	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation		
Linked Bonds *	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	125.00 %	

Note: assumptions are geometric.

* levered 2.5x

** numbers include inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - For 2020, the total OPEB liability was calculated using the discount rate of 2.96%. For 2019, the total OPEB liability was calculated using the discount rate of 3.56%. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.00%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.12% at December 31, 2020 and 2.75% at December 31, 2019, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 2.96% for 2020 and 3.56% for 2019. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2034, and the municipal bond rate was applied to all health care costs after that date.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 14 - DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions - OP&F (continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 2.96%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.96%), or one percentage point higher (3.96%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 50,315	\$ 40,350	\$ 32,131

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

NOTE 15 – RISK MANAGEMENT

Property and Liability

The City has elected pursuant to ORC §2744.08(A)(2)(a) to use public funds for the purpose of handling third-party property losses and liabilities in lieu of purchasing general municipality liability insurance. Claims activity is accounted for within the Risk Management Fund, which derives revenue on a pro-rata basis from other City funds to cover liability losses. Settled claims have not materially exceeded coverage in any of the last three years, and the City added coverage through new policies in 2020, without significant reduction in coverage from the prior year policies. In addition, the City has the ability to issue general obligation bonds to pay final judgments that may arise.

The liability is reported as a current liability in the Risk Management Internal Service Fund. Changes in the claim liability amount in years 2018 - 2021 follows:

Year	Beginning Balance	Current Year Claims and Change in Estimate	Claims Payments	Ending Balance
2018	\$ 5,500	\$ 1,146	\$ (5,446)	\$ 1,200
2019	1,200	688	(688)	1,200
2020	1,200	1,245	(1,245)	1,200
2021	1,200	5,764	(364)	6,600

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 15 – RISK MANAGEMENT (continued)

Property and Liability (continued)

The City is fully insured through premium-based insurance policies for all other types of insurance. In 2021, the City contracted with various insurance companies to provide the following coverage:

	Coverage (in Whole Dollars)	Deductible (in Whole Dollars)
Property Policy for the City	\$ 600,000,000	\$ 250,000
Accident/Liability Policy - Intern Program	25,000	-
Accident/Liability Policy - Youth Commission	25,000	-
Accident/Liability Policy - Adult Probation Program	25,000	-
Boat Policy (Swan Creek & Trailer)	1,000,000	1,000
BUSTR/Cleanup for Underground Fuel Tanks	Total cost of cleanup	50,000
Commercial Liability for The Unique Center	1,000,000	5,000
Crime Policy for the City	3,000,000	75,000
Crime Policy for the Toledo Police	1,000,000	50,000
Crime Policy for Toledo Clerk of Courts	3,000,000	50,000
Employee Tool Insurance	211,000	500
Boat Policy (Pacific Skiff)	1,000,000	5,000
Ocean Marine Policy (Hanson/Maurell)	1,000,000	1,000
Ocean Marine Policy (Sounder)	1,000,000	1,000
Ocean Marine Policy (Sea Ark)	1,000,000	500
Ocean Marine Policy (Zodiac)	1,000,000	500
Professional Liability for TMC	10,000,000	-
Toledo Express JEDD	1,000,000	-
Holy Trinity Parking Lot	1,000,000	-
Accident/Liability Policy - TPS Co-op Program	25,000	-
Cyber & Privacy Policy	2,000,000	500,000
Environment/Municipal Golf Courses	1,000,000	10,000
Liquor Liability/Municipal Golf Courses	1,000,000	1,000

Workers' Compensation

The City takes advantage of workers' compensation plans offered by the State of Ohio. The current plan is a Group Retrospective Rating Plan and has been in effect since 2016. Group Retrospective Rating is a performance-based incentive program designed to recover a portion of premium for employers that reduce injury rates and lower claims costs. Participating employers receive refunds or pay assessments based on the performance of the group. The 2015 plan, called Merit Rating or an Experience Rating Plan, allows the City to take advantage rebates through the Destination Excellence program, which enabled the City to receive credits for a percentage of premiums paid based on fulfilling the requirements of each program. In contrast to the Individual Retrospective Rating program previously utilized, the Group Retrospective and the Experience plans have no dollar for dollar liability. Claim costs are paid by the Ohio Bureau of Workers' Compensation (BWC), and those costs are used to calculate an annual insurance premium established by BWC.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 15 – RISK MANAGEMENT (continued)

Workers’ Compensation (continued)

The City participated in Individual Retrospective Rating from January 2006 through December 2014 and retains liability for claims over a ten-year period. Claims with a date of injury prior to January 1, 2009 are closed out and have no further liability. In the Retrospective Rating plan, the City agreed to assume a portion of the risk in return for a reduction in premium. The greater the percentage of risk the City assumed, the greater the reduction in the premium. If the City’s loss experience is better than predicted by the experience-rating system, its total obligation will be less than what it would have paid under experience rating. If its experience is worse than predicted, its total obligation will be more than it would have been assessed under experience rating, limited to a maximum premium. The City has assumed the risk of individual claims up to a maximum of \$300,000.

The City has agreed to pay all claims up to a maximum of 150% of what the City would have paid had the City remained an experience-rated risk. Claims exceeding these limits will be paid by the BWC. Ten years after each year the City elected the retrospective plan for workers’ compensation, the City settles reserves (if any) on claims that are still open. The City has established a Workers’ Compensation Internal Service Fund to account for and finance its uninsured risks of loss in the program.

The claims liability of \$820 reported at December 31, 2021 was determined after review of the City’s actuarial report provided by a third-party actuary. This estimate complies with GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, as amended by GASB Statement No. 30, Risk Financing Omnibus, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling claims. The liability is reported as a current liability in the Statement of Net Position for the Internal Service Funds. The liability decreased in 2017 to reflect the reduction in claim liability, primarily as a result of the sub-contracting of the City’s refuse workers beginning in 2011, additional safety training, better claims management, and the implementation of changes related to worker safety based upon training provided by the Safety Council of Northwest Ohio. The liability is associated with the Individual Retrospective Rating plan, and the City expects this liability to gradually decrease until eliminated entirely in the year 2024, the final year for which the City is required to make a payment to the BWC under the Individual Retrospective Rating Plan.

The liability is reported as a current liability in the Workers’ Compensation Internal Service Fund. Changes in the Workers’ Compensation claim liability amount in 2018 - 2021 were:

<u>Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims and Change in Estimate</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2018	\$ 5,000	\$ 3,614	\$ (5,264)	\$ 3,350
2019	3,350	4,413	(5,415)	2,348
2020	2,348	4,407	(5,031)	1,724
2021	1,724	4,069	(4,973)	820

Health, Dental, and Prescription Drug Benefits

The City is self-insured for health, dental and prescription drug benefits. The programs are administered by a third-party, which provides claims review and processing services. The City records a liability for incurred but unreported medical, dental, and prescription drug claims at year-end based upon an actuarial estimate by a third-party actuary. The actuarially determined claims liability is based upon past experience and current claims outstanding.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 15 – RISK MANAGEMENT (continued)

Health, Dental, and Prescription Drug Benefits (continued)

The claims liability of \$4,023 reported at December 31, 2021 was determined after review of the City’s actuarial report provided by a third-party actuary. This estimate complies with GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, as amended by GASB Statement No. 30, Risk Financing Omnibus, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling claims.

In late 2019, the City established an Internal Service Fund to account for its healthcare self-insurance activities. The Healthcare Self-Insurance Internal Service Fund was established utilizing prescription drugs rebates and stop-loss reimbursements received by the City. Beginning in 2020, the City began utilizing the newly established Healthcare Self-Insurance Internal Service Fund to report all healthcare related self-insurance activities. The actuarially determined claims liability is reported in the Healthcare Self-Insurance Internal Service Fund at December 31, 2021.

The liability is reported as a current liability in the Healthcare Self-Insurance Internal Service Fund. Changes in the claim liability amount for this category in years 2018 - 2021 follows:

Year	Beginning Balance	Current Year Claims and Change in Estimate	Claims Payments	Ending Balance
2018	\$ 4,129	\$ 26,530	\$ (26,931)	\$ 3,728
2019	3,728	29,559	(29,245)	4,042
2020	4,042	29,715	(29,609)	4,148
2021	4,148	37,205	(37,330)	4,023

NOTE 16 – ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For 2021, the City has implemented GASB Statement No. 87, “*Leases*”, GASB Statement No. 89, “*Accounting for Interest Cost Incurred before the End of a Construction Period*”, and GASB Statement No. 96, “*Subscription-Based Information Technology Arrangements*”.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the City.

GASB Statement No. 87 enhances the relevance and consistency of information of the government’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the City’s 2021 financial statements. The City recognized \$1,178 in leases receivable in the governmental activities at January 1, 2020, due to the implementation of GASB 87; however, this entire amount was offset by deferred inflows of resources for leases. The City also recognized \$81 of leases payable in the governmental activities at January 1, 2020; however, this entire amount was offset by the intangible asset, right to use lease - equipment. The implementation of GASB No. 87 did not have an effect on the beginning net position or fund balance of the City as previously reported.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 16 – ACCOUNTABILITY AND COMPLIANCE (continued)

Change in Accounting Principles (continued)

GASB Statement No. 96 enhances the relevance and consistency of information of the subscription-based information technology arrangements (SBITAs). It establishes requirements for SBITA accounting based on the principle that SBITAs are financings of the right to use an underlying asset. A government is required to recognize a subscription liability and an intangible right to use subscription asset. These changes were incorporated in the City’s 2021 financial statements. The City recognized \$1,595 in SBITAs payable in the governmental activities at January 1, 2020; however, this entire amount was offset by the intangible asset, right to use subscription-based information technology software. The implementation of GASB No. 96 did not have an effect on the beginning net position or fund balance of the City as previously reported.

For 2021, the City has applied GASB Statement No. 95, “*Postponement of the Effective Dates of Certain Authoritative Guidance*” to GASB Statement Nos. 91, 92 and 93, which were originally due to be implemented in 2021 and to GASB Statement No. 87, which was originally due to be implemented in 2020. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The following pronouncements are postponed by one year and the City has elected delaying implementation until the fiscal year ended December 31, 2022:

- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

Deficit Fund Balances/Net Position

Fund balances/net position at December 31, 2021 included the following individual fund deficits:

	<u>Deficit</u>
<i>Governmental Funds:</i>	
Special Assessments Services Fund	\$ 55,020
Local Fiscal recovery Fund	551
<i>Nonmajor Governmental:</i>	
Special Assessment Improvement Fund	1,190
Jeep Muni Public Improvement TIF	9,140
Total Governmental Funds	65,901
<i>Enterprise Funds:</i>	
<i>Nonmajor Enterprise:</i>	
Property Management Fund	2,329
Small Business Development Fund	89
Total Enterprise Funds	2,418
Total	\$ 68,319

These deficits will be eliminated by future charges for services, reduction of expenditures or future bond sales, where appropriate. The deficit balance in the Special Assessments Services Fund is due primarily to the City’s issuance of \$40,800 of special assessment notes which are reported as a fund liability and the reporting of \$17,954 in amounts due to other funds. The special assessment notes are issued for the interim financing of various improvements to be assessed from benefitting property owners. The City pays the actual costs of these services, which are then levied as special assessments and collected two years after the service has been rendered. At December 31, 2021, the City has reported a special assessments receivable in the amount of \$53,156 in the Special Assessments Services Fund.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 16 – ACCOUNTABILITY AND COMPLIANCE (continued)

Deficit Fund Balances/Net Position (continued)

The deficit balance in the Local Fiscal Recovery Grant Fund is a result of the reporting of investments at fair value. The fund reported a decrease in fair value of investments, not an actual loss on investments. The City plans to hold all investments to maturity thus eliminating the risk of fluctuations in fair value.

The deficit balance in the Special Assessment Improvement Fund is due primarily to the City's issuance of \$2,085 of general obligation notes which are reported as a fund liability and the reporting of \$903 in amounts due from other funds. This deficit will be reduced as special assessments are collected to retire the obligations and as transfers are received from the Capital Improvements Fund for amounts not certified in prior years.

The Jeep Muni Public Imp TIF receives payments in lieu of taxes, with its deficit due and payable to the Capital Improvement fund.

The deficit balance in the Property Management Fund is due to the reporting of long-term housing improvement bonds payable as a fund liability. The deficit will be reduced as transfers are received from the Capital Improvement fund to make required debt service payments. Any proceeds from the sale of property for which the bonds were issued may be used to reduce the bond obligation.

The deficit balance in the Small Business Development Fund is due to of the sale of capital assets. This deficit balance will be eliminated in 2022.

NOTE 17 - CONTINGENCIES

Litigation

The City is a party to various legal proceedings seeking damages or injunctive or other relief generally incidental to its operations for which it reserves resources. Those proceedings are unrelated to any outstanding City debt or the security therefore. The ultimate disposition of those proceedings is not now determinable, but based on the aforementioned will not, in the opinion of the City's Director of Law, have a material adverse effect on any outstanding City debt or the security therefore.

Under current Ohio law, City moneys, accounts and investments are not subject to attachment to satisfy tort judgments against the City in State courts. Current Ohio law also permits the City to reduce its fiscal responsibility in tort liability by deducting all appropriate health benefits, insurance benefits (including uninsured and underinsured motorists' coverage) and/or other benefits which a claimant may be entitled to receive due to injury or other loss. The City does not maintain a policy of liability insurance or a self-insurance fund or participate in any self-insurance program or pool to satisfy tort liability claims. The City has satisfied in the past, and continues to satisfy, its general, motor vehicle, police, fire and emergency medical services tort liability (after deducting amounts available from any available collateral source) by relying on tax receipts and other available City revenues.

Based on historical experience and its evaluation of pending claims, the City believes that the amount available from those sources and unencumbered at December 31, 2021 and at the date of this Statement, is sufficient to meet the claims and judgments that may arise in 2022. In addition, the City has the right to issue general obligation bonds, maturing over a maximum period of 25 years, and notes in anticipation of those bonds, to pay any final judgment which may be entered against it.

Grants

In 2021, the City received Federal, State, and Local grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

City of Toledo, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021
(Amounts in Thousands)

NOTE 18 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the City received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

The City's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

NOTE 19 – SUBSEQUENT EVENTS

In March 2021, Congress passed the American Rescue Plan Act of 2021 (ARP) to provide a combined \$350 billion in assistance to eligible state, local, territorial, and Tribal governments to help turn the tide on the pandemic, address its economic fallout, and lay the foundation for a strong and equitable recovery. This bill provides additional relief to address the continued impact of COVID-19 (i.e., coronavirus disease 2019) on the economy, public health, state and local governments, individuals, and businesses. The City received \$90,474 of its total in 2021 and will receive the balance in the first half of 2022. With this grant, the City is responding to many of the needs of its citizens. In 2022, the City approved funding for additional police and fire classes, expansion of the ShotSpotter, lead line replacement, parks infrastructure revitalization, sidewalks replacement, youth engagement, and universal pre-K.

In March 2022, the City received an additional \$19,409 for Emergency Rental assistance from the U.S. Department of Justice.

In January of 2022, City Council passed legislation authorizing the Mayor to enter into agreements with and accept financial assistance from the State of Ohio, Ohio Public Works Commission (OPWC) in an amount not to exceed \$3,444 for five roadway projects, including: Lewis Avenue - Laskey to Alexis, Jackman Rd. - Alexis to Brim, Starr Avenue - Starr to Belt, Upton Avenue - Monroe to Central, and the Summit/Cherry Intersection; and authorizing the expenditure of said grant and loan proceeds.

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CITY OF TOLEDO, OHIO

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Grant Number	Federal AL Number	Passed through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
CDBG Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants:				
40th Year CDBG Grant		14.218		123,633
41st Year CDBG Grant		14.218		125,010
42nd Year CDBG Grant		14.218		298,232
43rd Year CDBG Grant		14.218	418,500	423,085
44th Year CDBG Grant		14.218		152,032
45th Year CDBG Grant		14.218	157,033	676,631
COVID-19 - 45th Year CDBG Grant		14.218	1,183,890	2,055,691
46th Year CDBG Grant		14.218	1,995,800	4,031,406
47th Year CDBG Grant		14.218	694,263	2,183,201
Total CDBG Entitlement Grants Cluster			4,449,486	10,068,921
Emergency Solutions Grants Program:				
33rd Year Emergency Shelter		14.231	26,915	26,915
COVID-19 - 33rd Year Emergency Shelter -1		14.231	779,796	779,796
COVID-19 - 33rd Year Emergency Shelter -2		14.231	750,000	750,000
34th Year Emergency Shelter		14.231	432,112	432,112
35th Year Emergency Shelter		14.231	113,355	124,229
Total Emergency Solutions Grants Program			2,102,178	2,113,052
HOME Investment Partnerships Program		14.239	2,301,439	2,691,153
Total U.S. Department of Housing and Urban Development				14,873,126
U.S. DEPARTMENT OF JUSTICE				
<i>(Passed through Ohio's Office of Criminal Justice):</i>				
COVID-19 Coronavirus Emergency Supplemental Funding Program:				
COVID-19 Coronavirus Emergency Supplemental Funds Program	HR748-CESF-Local	16.034		62,257
COVID-19 Coronavirus Emergency Supplemental Funds Grant	HR748-CESF-Local	16.034		108,248
Total COVID-19 Coronavirus Emergency Supplemental Funding Program				170,505
Violence Against Women Formula Grants:				
Violence Against Women Formula Grants	n/a	16.588		8,419
Violence Against Women Formula Grants	n/a	16.588		15,256
Total Violence Against Women Formula Grants				23,675
Edward Byrne Memorial Justice Assistance Grant Program:				
2018 Justice Assistance Grant	n/a	16.738		429
2019 Justice Assistance Grant	n/a	16.738		25,351
2020 Justice Assistance Grant	n/a	16.738		14,058
2020 Justice Assistance Grant	n/a	16.738		151,025
TPD Justice Assistance	n/a	16.738		69,061
Total Edward Byrne Memorial Justice Assistance Grant Program				259,924
Paul Coverdell Forensic Science Grant	n/a	16.742		1,736
Total U.S. Department of Justice				455,840
U.S. DEPARTMENT OF TRANSPORTATION				
<i>(Passed through Ohio Department of Transportation):</i>				
Highway Planning and Construction Cluster:				
Marengo St Bridge	PID103758	20.205		1,415,773
Traffic Signals Upgrade	PID113429	20.205		153,614
Lagrange-Utica to Oakland	PID104276	20.205		40,850
Douglas-Laskey to Alexis	PID98910	20.205		18,630
Alexis-Jackman to Flanders	PID100196	20.205		62,325
Summit-Lagrange to Chestnut	PID99000	20.205		8,799
Wenz-Angola to Hill	PID104417	20.205		804,009
Chessie Circle Trail - Bowman Park to University Hills	PID103417	20.205		469,887
Holland-Sylvania - Bancroft to City Limits	PID104487	20.205		359,360
Jefferson Cycle Track - Summit to Collingwood	PID107485	20.205		1,479,200
Bennett - Laskey to Alexis	PID98909	20.205		1,330,042
Airport Highway - South to Byrne	PID108793	20.205		623,893
Dorr - Reynolds to Byrne	PID108794	20.205		1,271,160
Total Highway Planning and Construction Cluster				8,037,542
<i>(Passed through Ohio Department of Public Safety):</i>				
Highway Safety Cluster:				
State and Community Highway Safety:				
Traffic Enforcement Program	n/a	20.600		26,387
Traffic Enforcement Program 2	n/a	20.600		2,750
Total State and Community Highway Safety				29,137
National Priority Safety Programs:				
National Priority Safety Programs	n/a	20.616		24,908
National Priority Safety Programs 2	n/a	20.616		3,513
Total National Priority Safety Programs				28,421
Total Highway Safety Cluster				57,558
Total U.S. Department of Transportation				8,095,100

(Continued)

CITY OF TOLEDO, OHIO
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Grant Number</u>	<u>Federal AL Number</u>	<u>Passed through to Subrecipients</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF TREASURY</u>				
<i>(Passed through Ohio Budget and Management):</i>				
Emergency Rental Assistance				
COVID-19 - City Emergency Rental Assistance	HR133-CRF-Local	21.023		6,995,126
COVID-19 - County Emergency Rental Assistance	HR1319-CRF-Local	21.023		4,048,034
COVID-19 - City Emergency Rental Assistance 2	HR133-CRF-Local	21.023		602,940
Total Emergency Rental Assistance				<u>11,646,100</u>
COVID-19 - Local Fiscal Recovery Fund (Direct Award)		21.027		<u>5,579,000</u>
Total U.S. Department of Treasury				<u>17,225,100</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
<i>(Passed through Ohio Environmental Protection Agency):</i>				
Air Pollution Control Program Support:				
PM 2.5 Monitoring	n/a	66.001		41,262
2020 State Air Grant	n/a	66.001		526,397
2020 Title V	n/a	66.001		161,745
PM 2.5 Monitoring	n/a	66.001		24,749
2022 State Air Grant	n/a	66.001		161,664
2022 Title V	n/a	66.001		65,389
Total Air Pollution Control Program Support				<u>981,206</u>
Covid-19 Environmental Justice Grant	n/a	66.312		85,464
Clean Water State Revolving Fund Cluster:				
International Park Storage Basin	n/a	66.458		2,480
LTCP 2C Design	n/a	66.458		372,308
Total Clean Water State Revolving Fund Cluster				<u>374,788</u>
Great Lakes Restoration Initiative	n/a	66.469		<u>200,111</u>
Total U.S. Environmental Protection Agency				<u>1,641,569</u>
Total Federal Awards			<u>\$ 8,853,103</u>	<u>42,290,735</u>

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the City of Toledo, Ohio (the “City”) under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Toledo and is presented on the modified accrual basis of accounting, which is described in Note 1 to the City of Toledo, Ohio's (the City) Annual Comprehensive Financial Report. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D – SUBRECIPIENTS

The City passes certain federal awards received from the U.S. Department of Housing and Urban Development to other governments or not-for-profit agencies (subrecipients). As Note B describes, the City reports expenditures of Federal awards to subrecipients on a modified accrual basis. As a direct recipient, the City has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE E – HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GRANT PROGRAMS WITH REVOLVING LOAN CASH BALANCE

The current loan balance of the City's local program income account as of December 31, 2021 is \$11,018,480.

NOTE F – MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Wade Kapszukiewicz, Mayor and Members of City Council
City of Toledo, Ohio:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toledo, Ohio (the "City") as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2022, wherein we noted the City adopted Governmental Accounting Standards Board Statement No. 87, *Leases*, Governmental Accounting Standards Board Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Maumee, Ohio
June 30, 2022

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Wade Kapszukiewicz, Mayor, Members of City Council and the Audit Committee
City of Toledo, Ohio:

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the City of Toledo, Ohio's (the "City") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended December 31, 2021. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on CDBG Entitlement Grants Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the CDBG Entitlement Grants Cluster for the year ended December 31, 2021.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2021.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on the CDBG Entitlement Grants Cluster

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the CDBG Entitlement Grants Cluster as described in finding number 2021-001 – Allowable Costs.

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and *questioned* costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated June 30, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Maumee, Ohio
June 30, 2022

CITY OF TOLEDO, OHIO
Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified not considered to be material weaknesses?	None noted
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified not considered to be material weaknesses?	No
Type of auditors’ report issued on compliance for major programs:	Qualified for CDBG Entitlement Grants Cluster and Unmodified for all other major programs
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
Identification of major programs:	
• <i>ALN 14.218 – CDBG Entitlement Grants Cluster</i>	
• <i>ALN 14.231 – Emergency Shelter Solutions Grants</i>	
• <i>ALN 14.239 – HOME Investment Partnerships Program</i>	
• <i>ALN 21.023 – COVID-19 Emergency Rental Assistance Program</i>	
• <i>ALN 21.027 – COVID-19 Coronavirus State and Local Fiscal Recovery Funds</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$1,268,722
Auditee qualified as low-risk auditee?	No

CITY OF TOLEDO, OHIO
Schedule of Findings and Questioned Costs
Year Ended December 31, 2021
(continued)

Section II – Financial Statement Findings

None noted

Section III – Federal Award Findings and Questioned Costs

Finding 2021-001 – Allowable Costs

CDBG – Entitlement Grants Cluster – ALN. 14.218

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Criteria: 2 CFR 225, Appendix B requires where employees work on multiple activities or cost objectives, a distribution of their salaries and wages to be supported by personnel activity reports or equivalent documentation. Personnel activity reports are required under various circumstances, including when employees work on more than one federal award. Personnel activity reports must reflect after-the-fact distribution of actual activity of each employee, must account for the total activity for which each employee is compensated, must be prepared at least monthly and must be signed by the employee. 2 CFR 225, Appendix B goes on to state, budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

Condition: We performed tests to determine if the City was in compliance with time and effort documentation requirements for payroll charged to the federal program. The City allocates payroll and benefits for certain employees working on the federal program. Employees spending less than 100% of their time on the program do not track actual time spent on the program, and instead their time is charged based on a budget estimate.

Context: The timesheets were completed using budgeted hours instead of actual for the period from January 1, 2021 to December 31, 2021. Total payroll of \$2,784,768 for that period was charged to CDBG.

Cause: The Department of Neighborhoods had a number of employees working remotely during 2021 and controls over time and effort documentation deteriorated. In addition, the department suffered staff shortages which created delays in the budgeted payroll true up process at year end.

Effect: Unallowable costs may have been charged to these programs due to the lack of tracking actual time instead of budgeted. As noted above, payroll costs charged to the programs were not properly supported and thus are considered questioned costs.

Recommendation: The City should establish procedures to ensure that payroll charges to the grants are supported by accurately prepared and reviewed personnel activity reports or periodic time studies.

*Views of
Responsible
Officials:*

Management concurs, See Corrective Action Plan.



Finance

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June 30, 2022

**SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR § 200.511(b)
December 31, 2021**

Finding Number	Status	Explanation
2020-001	Corrected	There were no material misstatements identified in the current year audit.

Sincerely,

Melanie Campbell
Interim Finance Director



Finance

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June 30, 2022

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
December 31, 2021**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2021-001	As an action plan for this item, the Interim Finance Director will review with the Department of Neighborhoods to establish procedures to ensure that payroll charges to the grants are supported by accurately prepared and reviewed personnel activity reports or periodic time studies.	9-30-2022	Melanie Campbell, Interim Finance Director.

Sincerely,

Melanie Campbell
Interim Finance Director