



THE HEART OF CUYAHOGA COUNTY

**6800 Brecksville Road
Independence, Ohio 44131
216.524.4131**

MEMORANDUM

To: Mayor Gregory P. Kurtz
Members of Council

From: Finance Director Vernon Blaze

Date: Friday, August 18, 2023

Re: Finance Office and Related Topic Updates

Income Tax Revenue

The notification from the Regional Income Tax Agency (RITA) of the August Remainder means that two-thirds of 2023's Income Tax Revenue is now known.

The August Income Tax Revenue amount is right within the range it's been for a number of Augusts now as follows:

<u>August</u>	<u>Income Tax Revenue</u>
2023	\$2,565,010
2022	\$2,454,250
2021	\$2,437,236
2020	\$2,931,663
2019	\$2,531,215
2018	\$2,761,006
2017	\$2,698,850

Income Tax Revenue – Continued

Looking at Income Tax Revenue over the first two-thirds of a year provides a more meaningful snapshot of Income Tax Revenue than just one month does. Those figures are as follows:

<u>1st Eight (8) Months</u>	<u>Income Tax Revenue</u>
2023	\$23,345,050
2022	\$23,234,145
2021	\$23,808,340
2020	\$22,102,852
2019	\$22,222,955
2018	\$22,804,507

2023's \$23.35 million of Income Tax Revenue over the first eight months of the year is just \$540,000 more than 2018's \$22.80 million after eight months.

Following is a Year-to-Date breakdown of Income Tax Receipts received from RITA only (The above figures include some Net Profit distributions received from the State of Ohio from businesses that file through the State rather than through RITA):

<u>Year- To-Date</u>	<u>Tax From Withholding</u>	<u>Tax From Individuals</u>	<u>Tax From Net Profit</u>	<u>Total Tax</u>
2023	\$16,660,385	\$1,306,417	\$2,190,730	\$20,157,532
2022	\$16,339,177	\$ 909,524	\$2,717,588	\$19,966,288
2021	\$17,673,690	\$ 950,001	\$1,727,590	\$20,351,280

Local income taxes withheld by employers from employees' compensation is down 5.7 percent the last two years, while local income taxes paid directly by individuals has increased by 37.5 percent. Local income taxes paid on net profits has no discernable trend during the time period shown.

Stability in the City's largest revenue source by far is better than a declining trend. Fortunately, Interest Income accruing to the City here in 2023 is helping to make up some for the stable Income Tax trend.

Local Government Fund (LGF) Formula Statistics

Independence was recently notified of its estimated 2024 Local Government Fund (LGF) receipts. Based on some criteria noted below, the amount of annual LGF funding Independence receives is quite nominal:

<u>Year</u>	<u>Description</u>	<u>Local Government Funding</u>
2024	Estimate	\$115,640
2023	Allocation	\$107,134
2022	Actual	\$104,575
2021	Actual	\$112,252

How much LGF funding Independence receives on an annual basis is formula driven. The following are some statistics used in calculating a municipality's annual LGF funding.

City of Independence Population Used in the Formula 7,520

Assessed Value/Property in Independence (35% of Market) \$519,534,270

Average Valuation Per Capita ($\$519,534,270 / 7,520$) \$ 69,087

Of the 38 cities in Cuyahoga County, Independence's \$69,087 of Assessed Valuation Per Capita (person) places it at Number 2 of those 38 cities.

The only city with a higher Assessed Valuation Per Capita than Independence is Pepper Pike at \$76,727 Per Capita.

The lowest city of the 38 cities in Cuyahoga County? East Cleveland with an Assessed Valuation Per Capita of just \$8,505.

Note that there are 11 Cuyahoga County villages and townships with higher Assessed Valuations Per Capita than Independence and some, even higher than Pepper Pike.

Local Government Fund (LGF) Formula Statistics - Continued

On the Income side of the formula in determining LGF allocations, the statistics provided state that Independence has an estimated 2023 Per Capita Income of \$56,314.

That places Independence at Number 8 out of the 38 Cuyahoga County cities.

Pepper Pike again leads the way in Cuyahoga County cities with an estimated 2023 Per Capita Income of \$91,537. Number 38? The City of Cleveland with an estimated 2023 Per Capita Income of just \$2,315 (Which seems kind of low, even for Cleveland).

Eight Cuyahoga County villages and townships have higher estimated 2023 Per Capita Incomes than Independence does.

It is because of Independence's Number 2 ranking in Assessed Valuation Per Capita in Cuyahoga County (Cities) and its Number 8 ranking in estimated Per Capita Income (Cities again) that its share of LGF funding is fairly nominal.

This month in August, whereas Independence will receive \$8,700 in LGF funding, East Cleveland will receive \$72,800 and Cleveland will receive \$2.2 million.

Pepper Pike, the Number 1 Cuyahoga County City on both an Assessed Valuation and Income Per Capita basis (Cities)? It will receive all of \$3,700 in LGF Funding this month.

