



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 4, 2023

Re: Finance Office and Related Topic Updates

Investment Accounts Portfolio Summary

The Finance Office has been maintaining an Investment Accounts Portfolio balance for the City in the \$33 million range for quite some time now.

This does not mean that the City had or has \$33 million that it can do anything it wanted to or wants to do with it. Purchase Orders (Encumbrances) written against that cash, which are commitments or the setting aside of funds for a specific purpose, have been averaging in the \$30 million range recently.

So anytime the Finance Office quotes certain figures, they must be taken within the context of the City's overall financial situation and picture at a given point in time.

Through a certain set of circumstances, the Finance Office was able to increase the City's Investment Accounts Portfolio by another \$6 million in July, thereby increasing it to approximately \$39 million at the end of the month.

Investment Accounts Portfolio Summary

It likely won't stay at that level indefinitely, but while it is in the Star Ohio Account, it will certainly add to the City's Interest Income (On July 31, the Overnight Yield in the Star Ohio Account was 5.46%).

By locking in a slightly less than 1.60% interest rate on \$15.25 million in debt in 2020, the City took advantage of the existing rates at that time on the borrowing side of the equation, even though some advised the City not to do so.

As interest rates have gone up significantly since then, the City's investment side of the equation has also benefited quite nicely too.

Following is the Interest Income earned by the City during the last few years:

<u>Year</u>	<u>Interest Income</u>
2017	\$189,225
2018	\$273,030
2019	\$695,990
2020	\$435,784
2021	\$239,888
2022	\$425,963
2023	\$902,322 (Through July 31)

The City's current \$39 million Investment Portfolio is allocated amongst three entities at this time:

- Independence Bank Certificates of Deposit of varying maturities
- Fifth Third Securities U.S. Treasury and Agency Securities
- Star Ohio The State of Ohio's investment pool for public entities

By locking in clearly ultra-low borrowing rates in 2020 and being able to invest cash in the current higher interest rate environment, Independence has benefitted on both sides of the borrowing/investment coin!