



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, December 15, 2023

Re: Finance Office and Related Topic Updates

Income Tax Revenue

The final 2023 allocation of Municipal Income Tax Revenue for Independence has been posted, thereby closing out 2023's Total Income Tax Receipts.

While up just over \$600,000 from 2022, 2023's Total Income Tax Receipts are just under 2021's amount as follows:

<u>Year</u>	<u>Annual Income Tax Receipts</u>	<u>+/- Previous</u>
2023	\$34,991,036	\$ 612,295
2022	\$34,378,741	(\$ 682,686)
2021	\$35,061,427	\$1,188,306
2020	\$33,873,121	(\$ 232,820)
2019	\$33,640,301	(\$ 16,299)
2018	\$33,656,600	

2018, 2019 and 2020's Income Tax Receipts were in a fairly narrow range, as were 2021's, 2022's and 2023's.

Income Tax Revenue – Continued

If it's a relatively nominal source of revenue, a flat trend like this for three years running isn't the end of the world.

It's still not the end of the world for Independence, but the City's largest revenue source by far being generally flat during a time period featuring historic inflation levels will present some challenges to public policy makers when allocating financial resources via budgets/appropriations.

Generally there are only three (3) "buckets" of where financial resources can be allocated and/or utilized in the public sector at the local level:

1. Operational-Type Expenses
2. Capital Acquisition/Infrastructure Projects
3. Debt Service (Principal and Interest)

The City's payments due under the last category – Debt Service – are fixed as of now.

Significantly increasing costs in the other two categories – Operational-Type Expenses and Capital Acquisitions/Infrastructure Projects – during a time period featuring the City's largest revenue source by far being relatively flat, will eventually result in less funds available for these two "buckets."

Yes, there has been some offset to the flat Income Tax Receipts trend with Interest Income increasing due to the recent higher interest rates and the Hotel/Motel Lodging Tax bouncing back from the 2020 low.

But both of those revenue sources are in the mid-\$1 million range, or approximately 23 times smaller than the magnitude of Income Tax Receipts in that ~\$35 million range.

Income Tax Receipts are what has, and continues to, drive Independence's success. That data-point is one of the most important ones to start with when evaluating Independence's financial condition.