

**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, February 23, 2024

Re: Finance Office and Related Topic Updates

**Finance Committee 2024 Budget Meetings**

Council's Finance Committee met yesterday for the first of at least two meetings to further review the 2024 Budget (Appropriations Ordinance).

Yesterday's Committee meeting started out with a review of some "bigger picture" financial issues first before diving into the budgets of individual departments.

Municipal Income tax, and its various components, was discussed first since income tax revenue is still Independence's largest revenue source by far.

The three components of local income taxes were reviewed, along with their trends:

- Withholding – Local taxes withheld from wages and salaries of employees working in Independence for Independence-based employers

## Finance Committee 2024 Budget Meetings – Continued

- Individuals – Local taxes from individuals can be from a number of sources
  - Independence residents who work for township-based employers where no local income taxes are withheld (No local income taxes can be levied in townships in the State of Ohio)
  - Independence residents who work in a city or village with a local income tax rate lower than two percent (2%)
    - Such individuals would owe Independence the difference between that lower rate and Independence’s two percent
  - Self-employed Independence residents who would pay their local income taxes via quarterly estimated payments
  - Retired Independence residents with taxable income where local income taxes were not initially withheld
  
- Net Profit – Local taxes paid on the net profits of Independence-based businesses

Tied into the local income tax discussion were some other material revenue sources, including the City’s Hotel/Motel lodging taxes, Interest, and Tax Increment Financing receipts.

Although none of those three sources come close to the amount of local income taxes received each year, all three sources saw enough increases from 2022 to 2023 to more than offset the recent “flat” income tax trend.

Next, the City’s Debt was reviewed. After peaking out at almost \$40 million years ago, it was at ~\$32 million at the end of 2018 and 2019, and had been systematically reduced to \$20.2 million at the end of 2023. Total indebtedness is projected to decrease to \$18.7 million at the end of 2024.

The last document that was discussed before individual directors appeared before the committee to discuss various aspects of their respective operating budgets was a Financial Summary Report.

This report is a concise financial summary of the City’s financial position.

## Finance Committee 2024 Budget Meetings – Continued

The financial data that is presented in it is presented in three “lenses”:

- Historical data going back a few years so that account trends can easily be seen
  - *“Where we’ve been.”*
- Year-to-Date results to see what’s presently happening in each account
  - *“Where we are.”*
- Budget figures for the current year to show what’s been approved
  - *“Where we should be.”*

This financial summary document, especially the Cash-flow type statements within it, provides financial data through the above-noted three “lenses” in the following format:

- *“What Cash resources the City commenced each period with”*
- *“Where the money/revenue comes from in each period”*
- *“Where the money goes (expenditures) in each ”*
- *“What Cash resources does the above activity leave at the end of each period”*

Readers of this report, which is posted on the City website and updated throughout the year, can just peruse those first two cash-flow type statements, or they can reference some of the supporting pages after these two documents, for more details on metrics such as:

- Revenue (Sources)
- Operating Expenses (Funds/Departments)
- Capital Purchases – (For Departments)
- Infrastructure Projects
- Debt Service Payments (Principal and Interest)
- Encumbrances/Purchase Orders (Financial commitments already made)

After completing this process with the City’s Operating Budget, it would be prudent to engage in a detailed and productive process doing the same thing with the City’s Capital acquisitions and Infrastructure projects Budgets too.