



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, January 12, 2024

Re: Finance Office and Related Topic Updates

Preliminary 2023 Financial Highlights

The Finance Office's January Council Meeting Report that will be printed in the February Post contained some *preliminary 2023 Financial Highlights*.

2023's books have not been formally closed out yet, so these figures can still change, but these *preliminary 2023* results can start to give us an early indication of the year's financial metrics and performance.

Following are some *unaudited, cash-basis, preliminary 2023 Financial Highlights* that still may be amended some before 2023 is officially closed out:

- **Income Tax Revenue** was not at an all-time, record high level (2021's \$35.06 million was), but it was close and up from 2022 (from \$34.4 million in 2022 to \$35.0 million in 2023).
- **Tax Increment Financing Revenue**, which has been in the \$2.0 to \$2.1 million range during four of the last five years, increased to \$2.56 million in 2023.

Preliminary 2023 Financial Highlights - Continued

- The **Lodging (Hotel/Motel) Tax** increased to its highest level ever at \$1.5 million, bouncing back from a recent low of \$666,000 in 2020 (Covid 19 Year).
- Due to the significantly higher interest rate environment that existed during 2023, actual **Interest Income** received totaled just over \$1.5 million. That far exceeds 2022's \$425,000, 2021's \$240,000 and 2020's \$435,000, but it also took an active, hands-on, treasury management focus to achieve this level of return in 2023.
- Total **Outstanding Indebtedness** decreased from \$31.8 million at the end of 2019 to \$21.7 million at the end of 2022 to \$20.2 million at the end of 2023. Outstanding Indebtedness is projected to be down to \$18.7 million at the end of 2024 if the City does not borrow any additional money this year.
- The City's overall **Unencumbered Cash Balance** of all Funds increased from \$11.0 million at the end of 2022 to almost \$16.0 million (\$15.9 million) at the end of 2023. This is an important metric that ratings agencies look at when reviewing and rating a governmental agency's bonds and creditworthiness.

2023's preliminary financial performance on the Revenue, Debt and Unencumbered Cash sides are not only welcome, but needed, as the extremely high recent inflation rates are materially impacting the City's cost-side of the ledger when it comes to operating expenses, capital purchases and infrastructure projects.

It is well known that historically, Income Tax is what has driven most everything that the City has been able to do over the years.

At \$35.06 million in 2021, \$34.38 million in 2022 and \$34.99 million in 2023, the City's challenge now is either get Income Tax Revenue to start increasing once again and/or keep nurturing existing alternative revenue sources (some listed herein above) and developing new ones that can make up for that general flat Income Tax Revenue trend the last three years.

Capital and business is always mobile. Take a look at Independence's Top Income Tax Payers dating to the early 1980's and that list has changed significantly and materially. A saying heard in church one time: "*Change is inevitable. Growth is optional.*" So grow, adapt and move forward we will!