



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, July 21, 2023

Re: Finance Office and Related Topic Updates

Historical Financial Metrics

The Finance Department homepage on the City website (www.independenceohio.org) contains a link to various Historical Financial Data – some of it dating all the way back to 1982.

Below are some financial metrics from 1982 and 2022 that make for some interesting reading and demonstrate how much growth has occurred in Independence over the past 40 years.

	<u>1982</u>	<u>2022</u>
Municipal Income Tax Revenue	\$ 3,959,483	\$ 34,378,741
General Fund Expenditures	\$ 2,916,813	\$ 25,676,095
Total Debt	\$ 9,745,000	\$ 21,722,684
Tax Duplicate (Assessed Value)	\$164,232,687	\$519,534,270
Tax Duplicate (Including TIF Properties)	\$164,232,687	\$604,228,190

Historical Financial Metrics - Continued

Of course, the \$34.4 million in Income Tax Revenue and the \$25.7 million in General Fund Expenditures are not all the City's revenue and expenditures.

Total Revenue in all funds in 2022 topped \$52 million, and Total Expenditures were \$49 million.

It's a fact that Independence is certainly no longer a township or village. Even though its 7,500+ - population places it at the smaller end of Northeast Ohio cities, Independence's financial metrics place it in the top tier of Northeast Ohio municipalities when it comes to the breath and scope of its financial size.

It's interesting to see that Independence had almost \$10 million in debt outstanding at the end of 1982.

The Prime Lending Rate at the beginning of 1982 was 16.50 percent, and at the end of 1982 it had declined to 11.50 percent. With either interest rate or anywhere in that range, Independence's principal and interest payments were quite substantial given its primary revenue source – Income Tax – was just under \$4.0 million that year.

\$9.75 million in debt at just a ten percent interest rate would result in interest only obligations of \$975,000/year. Income Tax Revenue of \$3.96 million in 1982 minus General Fund Expenditures of \$2.9 million left a difference of only \$1.0 million. Interest payments alone of \$975,000 (again, assuming just a ten percent interest rate) could have used up that entire \$1.0 million spread.

By contrast, when the City converted \$15.25 million in short-term Notes to long-term Bonds in 2020, the overall True Interest Cost (TIC) of 1.6 percent resulted in an average annual interest obligation on those bonds over the course of the 15-year life of them of just \$244,000 (\$15.25 million times 1.60 percent).

There's so much that can be determined by the analysis of various historical factual data – one of them being that Independence has sure come a long way during that 40 year time span!