



**THE HEART OF CUYAHOGA COUNTY**

**6800 Brecksville Road  
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**MEMORANDUM**

To: Mayor Gregory P. Kurtz  
Members of Council

From: Finance Director Vernon Blaze

Date: Friday, June 2, 2023

Re: Finance Office and Related Topic Updates

**City's Investment Portfolio**

What a difference a year makes!

In early 2022, the Federal Reserve embarked on a quest to increase interest rates in an attempt to tamp down raging inflation rates.

Those actions (multiple and material interest rate increases) have played havoc for all entities on the "buying" side of the financial equation. Prices and lead-times to take possession of orders are at levels not ever seen (lead times) or not seen in decades (recent inflation rates).

But for entities with cash sitting on the balance sheet, those multiple and material interest rate increases have also allowed those same entities to achieve investment returns not seen in many, many years.

The City of Independence is no exception to that dynamic. Although the City has ~\$30 million in encumbrances (Purchase Orders) against its cash, it still has the cash in the first place to have those \$30 million in encumbrances against it.

## City's Investment Portfolio - Continued

The City's investment portfolio, which is the cash not usually needed to operate on a day-to-day basis, is essentially invested with three (3) entities:

- Star Ohio – The State of Ohio's public entity investment pool
- Fifth Third Securities – Various investment instruments
  - Treasury Instruments, Municipal Notes, etc.
- Independence Bank – Certificates of Deposit

Following are the dividend/interest totals from all three of those institutions during the first five (5) months of 2022 vs. the first five (5) months here in 2023:

	1 <sup>st</sup> Five Months <u>2022</u>	1 <sup>st</sup> Five Months <u>2023</u>
Star Ohio	\$11,043	\$158,406
Fifth Third Securities	24,452	151,176
Independence Bank	<u>40,814</u>	<u>269,585</u>
	\$76,309	\$579,167

That's a 659 percent increase in investment income Year-to-Date 2023 vs. Year-to-Date 2022.

It's welcome for sure, but is also needed, as recall the raging inflation discussed earlier in this Memorandum.

Virtually everything the City purchases, from materials to utilities to fuel to even labor, has experienced material cost increases in the last few fiscal years.

So that additional investment income earned year-to-date here in 2023 is substantially being utilized to offset the increase in the cost of both day-to-day operations as well as capital investments made, and infrastructure projects being completed.

What's that one saying? *"What one hand giveth, the other hand taketh away?"*

At least the City has the *"one hand"* of investment income *"giveth-ing"* right now before the *"other hand"* of inflation *"taketh away-ing!"*