



## THE HEART OF CUYAHOGA COUNTY

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### MEMORANDUM

To: Mayor Gregory P. Kurtz  
Members of Council

From: Finance Director Vernon Blaze

Date: Friday, June 21, 2024

Re: Finance Office and Related Topic Updates

#### **Income Tax Revenue Trend – Continued From Last Week**

Last week this column reported about June's Income Tax Revenue dropping significantly, and how that one-month occurrence coincided with some reports of state income and Cuyahoga County sales taxes coming in either less than budgeted (Ohio income tax) or actually declining (Cuyahoga County Sales Tax).

Now that June's totals have been able to be added to the previous months' totals, it's clear that Independence's Second Quarter was a "rough" one from a total income tax standpoint.

This is watched closely, as income taxes are Independence's largest revenue source by far – dwarfing all other sources combined, including hotel/motel taxes, admission taxes, investment income, tax increment financing revenue, etc.

The saying is, "As income taxes go, so goes Independence."

## Income Tax Revenue Trend – Continued From Last Week

Following are the Second Quarter (Q2) Income Tax Receipts dating back to 2018:

<u>Second Quarter</u>	<u>Income Tax Revenue</u>
2024	\$ 9,352,093
2023	\$10,148,079
2022	\$10,304,769
2021	\$ 9,896,481
2020 (Covid)	\$ 7,972,967
2019	\$ 9,020,700
2018	\$ 9,409,768

In summary, Independence’s Q2 Income Tax Revenue was lower than it was six years ago in 2018 – And expenses have greatly increased since then.

Fortunately, Independence had a strong First Quarter regarding Income Tax Revenue, but the most recent quarter mirrors the previously noted state and county trends of either lower-than-forecasted revenues or actual declining revenues.

Municipal leaders here will take note of this trend but shouldn’t panic yet. One month, one quarter, one-anything usually does not make a trend.

“Caution” and “Conservative” can be two words to guide us forward through the remainder of 2024 as Council and the Mayor currently work through the Five-Year Capital Improvement Plan Update and will commence laying the groundwork for the 2025 Annual Appropriations Ordinance later this year.

Budgeting is always an exercise in “*allocating scarce resources*,” but as income taxes are flat-to-falling and the City’s largest three operating expense categories (wages, pension benefits, medical/health insurance) all continue to rise, those two words “Caution” and “Conservative” are two that should continue to be the over-arching guideposts of any financial planning, forecasting and budgeting right now.