

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, March 31, 2023

Re: Finance Office and Related Topic Updates

**2022 Financial Summary**

The Finance Office is very pleased that documents and materials produced out of it are used as source documents by internal decisions makers as well as the public-at-large. That means that the documents and materials produced out of the Finance Office are viewed as accurate and authoritative – exactly what is needed to turn raw data into useful information that can be used by those very same people to make good decisions with.

When such documents are produced, such as the recent 19-page **2022 Financial Summary**, there is a lot of data and information contained in them. This referenced document, the **2022 Financial Summary**, contains eight pages of text explaining the 11 pages of fact and figures in it. So yes, a wealth of data and information is included in such a document.

But when there is so much data and information contained in a single document, some can be tempted advance a narrative by citing portions of it without providing the appropriate context.

Well-read readers know that context means everything. Context is looking at a word or a few words, a single piece of data or a few data points, in relation to

## 2022 Financial Summary - Continued

to the words, data and broader narratives that surround that word, few words or single/few-pieces of data. Only within context then can someone make rational and valid conclusions and decisions.

The three words “*Let’s eat Grandma*” are very terrifying. Adding in just one comma (“*Let’s eat, Grandma*”) changes the context and the entire meaning of those three words.

So yes, context and even grammar matter a lot when reading, making sense out of what’s read, and making good decisions out of what was written.

In December of 2022, the Finance Office provided some year-end financial projections, but also provided the context for those projections too, stating at the December 20, 2022 Special Council Meeting “*Some of these calculations have to assume that every dollar of appropriations is going to be spent. We know that we don’t always spend every dollar that’s appropriated. We will “True-up” those [estimates] after December 31. We will have actuals instead of estimates.*”

Also in late 2022, the 2022 Year-End Unencumbered Cash was forecasted to be \$6.2 million – again, assuming that every dollar appropriated would be spent, which was explained would very likely not be the case. And sure enough, the Actual 2022 Year-End Unencumbered Cash Balance was a much more robust \$10.2 million because not every dollar that was appropriated in 2022 was expended.

The same quotes noted above apply every year. Certificates of Estimated Resources and Uses provided to the Cuyahoga County Budget Commission contain mathematical formulas that are required to assume that every dollar appropriated will be spent, since once appropriated, each dollar can actually be spent. They usually aren’t, but they can.

This results in some future estimates appearing to be lower than they likely will be, as noted above with the Year-End 2022 examples.

Anyone wanting to quote forecasted Year-End 2023 Unencumbered Cash Balances some nine-months before year-end should do so by also providing the proper context around those forecasts, explaining that such forecasts are required to assume that 100 percent of appropriations are spent, which usually is not the case.

## 2022 Financial Summary - Continued

It's the same when high Unencumbered Cash Balances are quoted for previous year-ends without the context related to those balances.

That context was provided on Page Four (4) of the 2022 Financial Summary, which specifically states that the time-period around 2017 and 2018 featured some large Unencumbered Cash Balances because millions of dollars were borrowed around then, but not all of those funds were immediately expended.

Total Debt at the end of 2015 stood at under \$26 million. Just three short years later at the end of 2018, the City's Total Debt was just over \$32 million. But again, not all of that additional \$6 million+- in borrowed funds were immediately expended, resulting in year-end Cash and Unencumbered Cash Balances being skewed a little higher for a period of time there. All of this was put in context in the 2022 Financial Summary.

The Finance Office not only welcomes, but encourages, the use of documents such as it to make good decisions with.

It is hoped though that when doing so, individual statements or data points are explained with proper context, and not left to themselves to try to make them say something that they weren't really intended to say.

The final text portion of the 2022 Financial Summary reads as follows, which helps to close out this Weekly Memorandum and provide more context:

- Some statements from Moody's December 12, 2022 Press Release are as follows:
  - *"Confirmation of the Aa1 issuer rating reflects the City's healthy financial reserves..."*
  - *"...also recognizing that the City has strong liquidity across all funds despite the TIF Fund's deficit, we ultimately view the City's financial position to be healthy."*
  - *"The City has substantial budgetary flexibility because over 20% of annual revenues are used to cash finance capital and for the early retirement of bonds." (In 2021)*