



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, October 20, 2023

Re: Finance Office and Related Topic Updates

Investment Portfolio

The debt markets are always being watched closely, but especially lately as long-term interest rates continue their climb upwards.

The 30-year fixed rate mortgage rose to 8.0% this week, the highest it's been since 2000.

Yields on the ten-year U.S. Treasury climbed as high as 4.99% this week after being in the 3.50% range this past summer.

The City is limited to a five-year maximum maturity for investments with fixed returns, but even five years is a long time to tie up the City's money.

Total accrued interest and dividends earned on the City's investment portfolio this year through the end of September was just over \$1.2 million (The actual "cash" received on those investments is slightly different than the "accrued")

Investment Portfolio - Continued

total since some of those investments are structured to pay out the full yield at maturity, not in equal monthly installments).

The City's Investment Portfolio consisted of the following as of September 30, 2023:

<u>Star Ohio</u> (State Pooled Investment Fund)	\$14,145,581
<u>Fifth Third</u> (Mostly U.S. Treasury Instruments)	10,277,520
<u>Independence Bank</u> (CD's)	<u>15,000,000</u>
Total Investment Portfolio	\$39,423,101

Details of the City's Investment Portfolio can be found on the City's website at www.independenceohio.org – Departments – Finance – Financial Data – Investment Portfolio Summary.

Also, note that the above does not mean the City has \$39 million laying around that it can do anything it wants to with it.

At the end of September, there were more than \$31 million in Encumbrances (Purchase Orders) in place against that \$39 million plus other Cash.

Most of those Encumbrances/Purchase Orders are written for large capital purchases that have been ordered or committed to but won't be delivered and paid for a period of time still or for large infrastructure projects that are "in the queue" to be completed in the near future as well.

Until delivery is taken and invoices for those capital purchases are received, and until those infrastructure projects take place, the City is able to invest the funds set aside for those capital purchases and infrastructure projects and earn an investment return on them.

Year-To-Date (Through September 30) Cash Flow Summary

The abbreviated, Year-to-Date (through September 30) Cash Flow Summary for the City is as follows:

Year-to-Date (Through September 30) Cash Flow Summary – Continued

Cash Balance, January 1, 2023	\$40,072,938
Plus Year-to-Date Revenue	<u>43,892,286</u>
Equals Total Cash Available	\$83,965,224
Less Operating Expenses	(29,217,711)
Less Principal & Interest	(627,871)
Less Capital Purchases & Infrastructure Projects	<u>(5,846,166)</u>
Equals September 30 Cash Balance	\$48,273,476
Less Encumbrances/PO's	<u>(31,283,081)</u>
Unencumbered Cash Balance	\$16,990,395

The City's September 30 Unencumbered Cash Balance of almost \$17 million is an increase of over \$5.9 million since the January 1 Unencumbered Cash Balance of \$11.0 million.

The City's Cash Flow Summary can be found on the City's website at www.independenceohio.org – Departments – Finance – Financial Data – Cash Flow Summary 2017 – Present.

Full Monthly Reports of all Cash Accounts, Revenue by account and Expenditures by account can be found on the City's website at www.independenceohio.org – Departments – Finance – Financial Data – Finance Reports – 2023 (Or whatever Month/Year dating back to 2017 is needed).