



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, September 8, 2023

Re: Finance Office and Related Topic Updates

Investment Portfolio Update

As of August 31, the City's Investment Portfolio is currently invested with three (3) entities essentially:

Star Ohio	\$14,081,655
Fifth Third Securities	10,216,294
Independence Bank	<u>15,000,000</u>
Total Investment Portfolio	\$39,297,949

The Finance Office always cautions stakeholders that the above \$39.3 million figure doesn't mean that the City has \$39.3 million available to do what it wants with it.

Purchase Orders (Encumbrances), which are commitments entered into for the expenditure of funds, totaled approximately \$29 million at the end of August, leaving an approximate \$10 million spread, or gap, between the two figures.

Investment Portfolio Update - Continued

Now \$10 million is still a material amount of money, no doubt. But with Total Monthly Expenditures averaging \$4 million/Month+ - so far in 2023, that \$10 million spread/gap only represents about a 2 1/2 month pure “cushion.”

Ratings agencies, financial analysts and even the State Auditor’s Office all look at Unencumbered (Or “Unrestricted”) funds as one criterion when analyzing and rating a public sector entity’s overall financial health. It is therefore incumbent on the City to ensure that its Unencumbered or Unrestricted fund balances remain healthy and strong.

The current interest rate environment continues to stress borrowers but has been and still is a boon to entities with cash on hand.

The City’s Investment Portfolio, which has only recently been increased to \$39 million from \$33 million, has produced \$1.06 million in investment income through the first eight (8) months of 2023 (Less than \$200,000 through the same time period in 2022).

If those rates of return continue during the last four months of 2023, Total Investment Income in 2023 is on pace to track at just over \$1.5 million.

This is a very welcome outcome given the recent trend of annual income tax revenue totaling within a given range in the last few years.

That income tax revenue trend is the one Financial Health Indicator (FHI) that the Auditor of State’s Office gave Independence a Yellow “Cautionary” rating on for 2022 – While giving Independence Green “Positive” ratings on all 16 of the other 2022 Financial Health Indicators.

It should also be noted that the City’s \$39.3 million Investment Portfolio does not represent Total Cash.

Currently there is approximately \$7 million more that is on deposit in various money market and checking type accounts that are currently being used to pay for those \$4.0 million+ - in Average Monthly Expenditures.

