



City of Independence, Ohio

"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, April 29, 2022

Re: Finance Office and Related Topic Updates

Capital Budget Meeting

The Finance Office looks forward to participating in the Capital Budget Meeting scheduled for next week: Wednesday, May 4 at 4:00 PM.

Recall that last week this column provided a number of options to deal with the fact that current requested and desired departmental capital purchases, infrastructure projects and real estate acquisitions greatly exceeds the amount of funding that was appropriated for all of that here in 2022. Those options were:

- Cut various proposed capital acquisitions, infrastructure projects and real estate acquisition opportunities
- Don't cut, but defer various acquisitions/projects to future years
 - Note though that the 2023 column of the draft Five-Year CIP has more currently listed in it than 2022 does
- The City borrows money on its own to fund various acquisitions/projects
- The voters are asked to approve taxing property owners for either a capital-type levy or to allow the City to borrow funds that would be paid back by the additional property taxes received
- A combination of two or more of the above options

Another possible option if Council really desired is to utilize even more of the City's current fund balances to close "the gap" between funds requested/desired for 2022 and funds currently appropriated in 2022.

As with all of the above noted options, this option isn't a highly desirable one either, as healthy fund balances signal a financially strong entity to bond investors, ratings agencies, residents, the business community and other stakeholders.



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Capital Budget Meeting - Continued

If all of the funds currently appropriated in 2022 were to be spent, and if revenue for 2022 is no greater than current projections, the City's total fund balance is then projected to decrease by some \$5 million this year.

Appropriating more funds to be able to fund more on the capital plan without any additional revenue and/or other appropriation reductions will only increase that projected fund balance decline even more. That's why this option on its own isn't a highly desirable one either.

The hope is that perhaps not all of the amounts appropriated for operating type uses will actually be utilized by year-end. If so, those unused appropriations could then be re-allocated for capital purchases, infrastructure projects and real estate acquisitions as determined and agreed to.

Misc. Observations/Musings

The Finance Office loves to come across various short, succinct quotes and summaries that "hit the nail on the head" and can be learned from. Some recently found ones include:

A quote by economist Thomas Sowell on the subject of taxing policy:

- ***"I have never understood why it is 'greed' to want to keep the money you have earned but not greed to want to take somebody else's money."***

Guide Studios presented two good quotes at this week's branding and marketing meeting:

- ***"Who you are is speaking so loudly that I can't hear what you are saying."***
- ***"If you have nothing to say, say nothing."***

The late Charles P. McCormick, CEO of McCormick & Co. on leadership by asking employees for their ideas:

- ***"What we needed was leadership with a clear vision as to what we wanted to do and what we didn't want to do. So we had to tell our folks – not how to do it – but where we wanted them to go and where we didn't want to go."***



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Misc. Observations/Musings – Continued

FedEx founder and long-time CEO Fred Smith has some clear and strong statements on some of the current economic conditions:

- ***“In the summer of 2021, we were 40,000 package-handlers short and there were people in the media saying that the stimulus checks didn’t have anything to do with that. Such people are divorced from the world we’re living in.”***
- ***“Modern monetary theory (MMT) – which holds that federal spending ought not be constrained by revenues – is insane. You can’t print money without regard to the fundamental laws of economics.”***

Apple Division Leader Johny Srouji, who led the herculean task of designing and producing its own silicon chips so as to not be 100% reliant on contract chip manufactures, on building the chip team from 45 employees to several thousand across the globe:

- ***“What I learned in life: You think through all of the things you can control and then you have to be flexible and adaptive and strong enough to navigate when things don’t go to plan.”***
- ***“Among his managers and third parties, Mr. Srouji is known for demanding hard truths with the axiom that his meetings focus on problems, not successes.”***