



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, August 6, 2021

Re: Finance Department Updates

Legislative Review

There is no Legislative Review this weekend as final versions of legislation and the Legislative Agenda were not available for review in time for this week's Memorandum deadline.

The Finance Department will review the legislation on Monday, August 9 and provide written communication about it prior to the Tuesday, August 10 Council Meeting.

Investment Portfolio

The city's investment portfolio remains stable, with all funds invested in low-risk, but also low-yielding instruments.

The portfolio consisted of the following as of July 31, 2021:

Star Ohio (0.08% Money Market)	\$ 7,636,256
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Fifth Third

Money Markets (0.01%)	14,488
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Marketable CD (2.10%)	170,000
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Municipal Bonds (Notes) – Par Value	6,463,000
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Independence Bank (CD's – 0.60%)	<u>18,000,000</u>
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Total Investment Portfolio	\$32,283,744
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The Municipal Bonds (Notes) are one-year debt instruments issued by various Ohio public entities as follows:



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Investment Portfolio Continued

<u>Public Entity</u>	<u>Par Value</u>	<u>Coupon Rate</u>	<u>Net Yield</u>	<u>Interest</u>
Mayfield Heights	\$2,000,000	0.750%	0.40%	\$15,000.00
Whitehall	500,000	1.375%	0.30%	6,875.00
Lebanon City School Dist.	575,000	2.000%	0.17%	11,500.00
Tipp City	500,000	0.750%	0.21%	3,750.00
South Euclid	638,000	0.875%	0.20%	5,582.50
Canal Winchester	1,750,000	0.750%	0.20%	13,125.00
Middletown	500,000	0.875%	0.18%	4,375.00
Total Bonds (Notes)	\$6,463,000			\$60,207.50

Par Value represents the amount of money the City will receive upon the maturity of these Bonds/Notes.

Coupon Rate represents the interest rate that each Bond/Note will pay upon maturity.

So by example, the Mayfield Heights Bonds/Notes will yield \$15,000 of interest to the City when they mature (\$2,000,000 x 0.75%).

However, the City will only “net” a yield of 0.40% even though the Coupon Rate on them is 0.75%. Why is that?

Because when those bonds/notes were issued, Mayfield Heights chose to place a 0.75% Coupon Rate on them. However, the tax-free municipal market rate at that time was more in the 0.40% range. So investors and purchasers of these bonds/notes, including the City of Independence, were willing to pay more than the Par Value for them – called a Bond/Note Premium.

An overall “Net” Bond/Note Portfolio Yield can be calculated as follows:

Par Value of Bonds/Notes to be received at Maturity	6,463,000.00
Plus Interest to be received at Maturity	<u>60,207.50</u>
Total to be Received at Maturity	6,523,207.50
Less Total Paid for the Bonds/Notes	<u>6,503,874.67</u>
“Net” Cash to be Received	19,332.83
“Net” Cash of \$19,332.83 divided by \$6,463,000	
Par Value of Bonds/Notes Equals Net Yield	0.30%