



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: August 28, 2020

Re: Finance Department Updates

Some miscellaneous observations here on a rainy Friday morning

- Just enough rain this summer to keep the grass green and growing!
- The compilation of the data needed for the Preliminary Offering Statement continues to be assembled and compiled.
- Recently announced Federal Reserve policies regarding interest rates and their use in controlling inflation would seem to indicate that interest rates will remain low for the indefinite future.
 - But when you live long enough, you have seen enough times where “the experts” and “everyone” knows something is going to happen, and then it doesn’t... for any number of reasons.
 - Mayor Kurtz, Economic Development Director Hyser and I met this week with a business inquiring about constructing a location here in Independence
 - The real estate team present at that meeting indicated that even though they can borrow money to build buildings right now at lower interest rates, they are actually utilizing slightly higher interest rate loans since those slightly higher interest rates are fixed for a longer period of time.
- Although Independence’s Municipal Income Tax Revenue (MITR) has held up quite well compared to the same time period in 2019, not every governmental entity can say that right now.
 - Some municipalities and counties are starting to feel the various economic challenges we all have faced here in 2020, resulting in a material decrease in their primary revenue source(s).
- But the same two “storm clouds” continue to lurk on the horizon of cities like Independence who are heavily reliant on people driving to and working within their borders in predominantly office-type environments.



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- Speculation continues – and that’s what most of it is right now, speculation – regarding the future of office space.
 - Will most/all office-type employees eventually make their way back to physical offices?
 - Or will this current Work-from-Home (WFH)/Remote office work model become more of a permanent way of doing business?
 - Or will some hybrid model eventually gain widespread acceptance, where office-type employees work both from physical work spaces and remotely, spending parts of weeks in both locations?
- The *Wall Street Journal* had an interesting article this week on one of Ford’s largest office buildings in the Detroit area.
 - <https://www.wsj.com/articles/ford-gears-up-for-the-post-pandemic-office-11598445075>
 - Most Ford office employees there have been working remotely since March.
 - Ford had most of them come in this month and permanently clean out their work spaces, stations and offices.
 - Not because they were being let go by the company.
 - But because Ford is going to use this time period to massively reconfigure what that office space needs to look like going forward, which includes figuring out exactly how much office space they really need to profitably and efficiently run their company.
- Various iterations of these thought processes are invariably taking place right now at companies across the planet.
- Independence would be foolish to just hope and pray that the past office work environment that has served the City so well for the last 40+ years, will remain the same going forward too. Something is bound to change, somehow, someday.
- The second “storm cloud” that is lurking out there is the whole taxation issue question:
 - Is it constitutional for municipalities to collect local income taxes from people who neither physically work in nor live in, a particular community?
- How the above two dynamics play out will determine a good measure of Independence’s future success – as Independence’s success is tied to the Municipal Income Tax it collects from people who, at least up until March, physically worked in Independence.
 - That Municipal Income Tax drives most everything that Independence is able to do as a community.
 - Potential threats to that revenue stream have to be identified and plans prepared for how those potential threats can be turned into opportunities – should they ultimately come to fruition.