



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, February 4, 2022

Re: Finance Office Updates

Finance Office Activities

There really is no “down month” in the Finance Office where the level of activity materially decreases compared to other months. Each month brings its own set of somewhat “special projects” above and beyond the routine department functions of:

- Approving requisitions
- Issuing purchase orders
- Processing and paying invoices
- Depositing funds
- Processing at least two payrolls each month
- Performing financial fiduciary duties for the High Intensity Drug Trafficking Area (HIDTA) Grant and the Strike Force collaboration

Some of the additional work that was performed during the month of January included, but was not limited to:

- Not only closing out the month of December, 2021, but Fiscal Year 2021 as well
- Working with Ahola to process and issue W-2's to all employees
- Processing and disseminating 1099's to independent contractors
- Completing various Human Resources functions and reports until that position is re-filled
- Compiling and presenting financial data for the 2022 Annual Appropriations Ordinance
- Assisting and providing financial data and analysis to the City's labor negotiator
 - Three collective bargaining agreement (CBA) negotiations are still not completed
- Audit Prep
 - Compile data for the State audit team that will assist with the GAAP (Generally Accepted Accounting Principles) conversion
 - Converting the City's Cash-basis statements to Accrual-basis ones



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Finance Office Activities Continued

- Compile data for the second State audit team that will be performing the actual audit of the 2021 financial records

NOPEC Grant

The Northeast Ohio Public Energy Council (NOPEC) announced that Independence will be receiving a NOPEC Energized Community (NEC) grant in 2022 totaling \$20,844.

The Mayor's Office and Procurement Coordinator Zdolshek will coordinate the application of these funds within the required parameters of the grant.

Office Market Statistics

The leasing of office space, and the employees that work in that office space, has always been the lifeblood of Independence's Municipal Income Tax Revenue (MITR). Mayor Kurtz, Economic Development Director Hyser and the Finance Office all pay close attention to this market, as Independence's financial success is directly related to the success of attracting and retaining employees at Independence-based locations.

Much reported here in this weekly Memorandum are the local taxing law dynamics occurring starting in 2021 regarding where local income is taxed. The Work-From-Home model could have a material impact on the MITR stream in communities like Independence that have traditionally relied on large numbers of non-residents commuting to places of office employment. How much of the office space in Independence that is filled with employees, and how often, has taken on an even greater level of importance here in 2022.

We thank our friends at real estate firm Colliers Cleveland for providing quarterly office market statistics for the entire Rockside Road Corridor, which includes office activity in Seven Hills as well as a very small area of the western end of Rockside Road in Parma. Following are some brief 2021 Rockside Road Corridor office market statistics from Colliers Cleveland, which contains almost 3.8 million square feet of office space:

	2021 <u>Q1</u>	2021 <u>Q2</u>	2021 <u>Q3</u>	2021 <u>Q4</u>
Availability Rate	19.1%	21.3%	21.4%	20.9%
Vacancy Rate	11.9%	12.6%	12.8%	13.1%
Net Absorption	(15,505)	(24,286)	(8,714)	11,613
Ave. Direct Asking Rate	\$19.14	\$18.87	\$18.81	\$18.66



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Office Market Statistics Continued

While these statistics provide a concise snapshot of "Where we've been" in the last year and "Where we are now," what's even more important is the question "Where are we going?"

That last question (*Where are we going?*) is the key reason that the Mayor, Council and the Finance Director meet to brainstorm in January of every year.

This community leadership team is tasked with charting a course going forward so that Independence can continue to fulfill its vision of being a premier community.

But having a vision of that ideal future state is only the first step. Drafting appropriate and effective plans and the successful implementation of those plans to fulfill the vision is ultimately what leads to success and a better future.

Working with the business community to ensure that Independence offers varied and desired amenities that results in employees wanting and choosing to spend time in an Independence-located office instead of at some location outside of Independence is a major economic development priority – one that will go a long way to ensuring Independence a solid and stable, if not growing, MITR stream.

Musings

- Governmental entities obviously have to allocate/appropriate tax revenue received for various purposes – operating expenses, capital purchases, infrastructure projects, debt service requirements, etc.
 - But when government takes on the role of allocating private sector capital, the *Wall Street Journal* correctly opined this week:
 - ***"When government allocates capital, it creates economic inefficiencies and market distortions."***
- In an editorial commenting on the U.S. debt now surpassing \$30 trillion, the *Wall Street Journal* also correctly noted:
 - ***"In Washington's fantasy world, spending is a free lunch. It isn't, as eventually Americans, if not politicians, will learn the hard way."***
- Movie theater chain AMC Entertainment recently refinanced \$950 million in bonds it had issued in 2020. The interest rate on those bonds? 10.5%. The interest rate on the new bonds? Still a healthy 7.5%. The interest rate on the City's last bond offering? 1.6%!