



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 26, 2021

Re: Finance Department Updates

City Debt

Last week, this Memorandum touched on the subject of interest rates, and how low interest rates have been a boon to borrowers, but have left savers and investors searching for higher yields.

Interest rates on the borrowing/debt side are one factor in how much interest is paid out, with the other two factors being the amount of debt (Principal) and the length, or term of that debt.

Following is a condensed summary of Independence's Outstanding Indebtedness, showing the Year-End figures for 2019 and 2020.

Debt Type	12/31/2019 Outstanding Balance	2020 Principal Paid	2020 Interest Paid	12/31/2020 Outstanding Balance
Long-Term Bonds	10,915,000	815,000	387,644	10,100,000
BANS/Notes*	17,375,000	2,125,000	347,500	15,250,000
OPWC** Loans	3,576,058	109,729	0	3,466,329
Total	31,866,058	3,049,729	735,144	28,816,329

*Converted to Long-Term Bonds in 2020

**Ohio Public Works Commission (These are interest free loans😊!!)

Recall that the \$10,100,000 in Long-Term Bonds noted on the first line are the ones whose "call provisions" kick in later this year, meaning that those bonds will have been outstanding long enough at that time where they can then be "refunded" (or "refinanced" in lay person's terms) without incurring any prepayment penalties.

It was noted in a recent Weekly Memorandum that the Finance Office and Municipal Adviser Matt Stuczynski will closely monitor the tax-free municipal borrowing market during the first half of this year. We can sit down sometime late-spring/early-summer to discuss in more detail



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City Debt Continued

the options that the City would have at that time, which will mostly be predicated on what the tax-free municipal borrowing market does over the next four-to-six months.

The principal on these bonds is paid once a year in late November, so if the decision is made to lower the overall interest rate and/or shorten up the term of the remaining bonds, we have some time to make a decision and then put the necessary legislation together. A possible time-table could be as follows:

- June Mayor/Council/Finance Office/Municipal Advisor meet to discuss the tax-free municipal borrowing market, options available, and make a decision. If it's decided that the tax-free municipal borrowing market is still attractive enough that a re-funding would be financially advantageous:
- July Introduce Legislation
- August Adopt Legislation
- Sept/October Conduct a Negotiated or Competitive Bond Sale
- Late November Redeem existing bonds with the recently sold ones

Legislative Review

The Finance Office's Legislative Review of legislation on the next Council Meeting Agenda typically comes out the Friday before the regular monthly Council Meeting. This month, the stars aligned and it was able to be drafted and disseminated two Fridays before the regular February Council Meeting.

Because of the volume of legislation that will be on the March Council Meeting Legislative Agenda and due to a lot of flux in that legislation up to and including today, the Finance Office is erring on the side of caution and will have the March Legislative Review drafted and distributed next week.

This will provide enough time to thoroughly analyze all of the legislation and properly report on the ones that have a financial component to them.

Fun Exercise

Subtract your age on January 1 of this year (Assuming you don't have a January 1 birthday) from 80 and then add 40. The result should be the last two digits of the year you were born.