



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 5, 2021

Re: Finance Department Updates

2020 Financial Highlights

2020 turned out to be a better year financially than most local governments anticipated, given the dire forecasts made once the economic impact of the Coronavirus started to be felt. Revenue, and especially the City's main revenue source, Municipal Income Taxes, did not fall off the cliff. Reduced operations for part/most of the year in some departments also led to day-to-day operating expenses being less than originally budgeted.

Following are some financial statistics and highlights from 2020. Note that it is presented on a Cash Basis, and is unaudited at this time.

Total Cash

Total Cash at the end of 2020 decreased slightly from the balance at the end of 2019, but the year-end 2020 Unencumbered Cash Balance (What is left over after Encumbrances (existing Purchase Orders) are subtracted off) increased by approximately \$5.5 million as follows:

| | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| End-of-Year Cash Balance | 30,244,917 | 31,645,088 | 40,979,516 | 40,433,575 | 38,454,261 |
| Less Encumbrances (PO's) | <u>16,462,400</u> | <u>13,117,628</u> | <u>23,228,021</u> | <u>27,492,372</u> | <u>19,986,929</u> |
| Equals End-of-Year Unencumbered Cash Balance | 13,782,517 | 18,527,461 | 17,751,495 | 12,941,203 | 18,467,332 |

Municipal Income Tax Revenue (MITR)

Although all revenue sources are important and are closely watched, MITR is the Number One revenue source watched, tracked and analyzed due to it being the largest revenue source for the City by far.

Although the forecasts after the Coronavirus took hold were all for MITR declines, Independence held its own through 2020 and actually finished 2020 at a record level (Not by much, and the following table shows that MITR has somewhat leveled off the last three years).



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Municipal Income Tax Revenue (MITR) Continued

| <u>Year</u> | <u>MITR</u> |
|-------------|--------------|
| 2020 | \$33,872,825 |
| 2019 | \$33,593,265 |
| 2018 | \$33,656,824 |
| 2017 | \$30,801,501 |
| 2016 | \$30,464,211 |

One-Time Cash Receipts

The City was the recipient of at least three material, one-time cash sources in 2020 that likely won't be repeated in 2021 (Below amounts are rounded):

| | |
|-----------------|----------------|
| Bond Premium | \$1,700,000 |
| OBWC Refund | 900,000 |
| CARES Act | <u>400,000</u> |
| Total (Rounded) | \$3,000,000 |

The Bond Premium was received as part of the conversion of \$15.25 million in short-term, one-year notes into 15-year bonds. Because interest rates are so low now, the winning bidder for the City's bond offering paid more for the bonds than the face amount, resulting in the premium.

The Ohio Bureau of Workers' Compensation (OBWC) has been refunding excess premiums paid in previous years, and Independence received an almost \$1 million check in late 2020 as part of those refunds.

Unless Congress and the new Administration pass additional legislation that pushes new CARES Act-type funding down to the municipal level, the City won't be receiving additional similar funds in 2021.

Total Revenue/Cash Receipts

The three above-noted one-time cash receipts caused the City's 2020 Revenue/Cash Receipts to be at a record level. Note that the below-noted totals do not include the HIDTA or Strike Force funds that are run through the City's books.

| <u>Year</u> | <u>Total Revenue/Cash Receipts</u> |
|-------------|------------------------------------|
| 2020 | \$47,079,857 |
| 2019 | \$43,878,234 |
| 2018 | \$44,675,334 |
| 2017 | \$39,653,853 |
| 2016 | \$38,155,776 |



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Day-to-Day Operating Expenses

Curtailed operations in some departments in 2020 caused the total cost of operating the City on a day-to-day basis to decrease by just under \$400,000 as follows:

| <u>Year</u> | <u>Day-to-Day Operating Expenses</u> |
|-------------|--------------------------------------|
| 2020 | \$24,766,745 |
| 2019 | \$25,148,041 |
| 2018 | \$24,840,560 |
| 2017 | \$23,959,353 |
| 2016 | \$23,467,294 |

Total Operating Expenses

When the expenses incurred by the City's "Other" funds (As above, not including HIDTA and Strike Force Expenses) that aren't as directly related to day-to-day operations are also included, that total slightly eclipsed 2019's total as follows:

| <u>Year</u> | <u>Total Operating Expenses</u> |
|-------------|---------------------------------|
| 2020 | \$26,798,943 |
| 2019 | \$26,605,632 |
| 2018 | \$26,536,802 |
| 2017 | \$25,198,849 |
| 2016 | \$24,513,794 |

Capital Purchases/Infrastructure Projects

The amount of checks written for Capital Purchases (equipment for departments such as trucks for the Service Department, Police/Fire vehicles, etc.) and Infrastructure Projects (Sanitary Sewers, Storm Sewers, Creek/Erosion/Flooding issues, Water Lines, Sidewalks, Roads, etc.) in 2020 was the highest it's been in the last five years as follows:

| <u>Year</u> | <u>Capital/Infrastructure</u> |
|-------------|-------------------------------|
| 2020 | \$17,986,299 |
| 2019 | \$16,637,274 |
| 2018 | \$ 9,685,915 |
| 2017 | \$ 9,866,192 |
| 2016 | \$ 9,419,257 |