



# 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, July 30, 2021

Re: Finance Department Updates

### **Financial Health Indicators (FHI)**

Each year after financial statements and/or a Comprehensive Annual Financial Report (CAFR) is completed in Ohio, the Auditor of State's office compiles *"a series of financial information, percentages and ratios which are useful in predicting financial stability. Financial Health Indicators are used to recognize early signs of fiscal stress in local governments."*

The State Auditor's Office has identified 17 **Financial Health Indicators** as being useful in determining signs of fiscal stress. It assigns one of three Financial Health Ratings to each of those 17 Indicators:

- Red - Critical Outlook A potential high risk of fiscal stress
- Yellow - Cautionary Outlook A situation to be aware of
- Green - Positive Outlook Not Critical or Cautionary

The 17 Financial Health Indicators are (Some of which are technical accounting/finance terms):

1. Unrestricted Net Assets/Position
2. General Fund – Unassigned Fund Balance
3. Change in Unrestricted Net Assets/Position
4. Change in General Fund Unassigned Fund Balance
5. Total General Fund Balance / General Fund Revenues
6. Change in General Fund Property Tax Revenue
7. Change in General Fund Income Tax Revenue
8. Percentage of General Fund Revenues that Exceed General Fund Expenditures
9. General Revenues of Governmental Type Activities (GTA) / Net Expenses of GTA
10. General Fund Intergovernmental Revenues as a Percentage of Total General Fund Revenues
11. Condition of Capital Assets



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## Financial Health Indicators (FHI) Continued

12. Debt Service Expenditures / Total Revenues
13. Unrestricted Net Assets/Position of GTA / Average Daily Expenses of GTA
14. Unassigned Fund Balance of the General Fund / Average Daily Expenditures of the General Fund
15. Cash and Investments of the General Fund / Average Daily Expenditures of the General Fund
16. Total Liabilities-to-Net Assets/Position
17. Budgetary Non-Compliance and/or Unreconciled/Unauditable Financial Record

For Calendar Year 2020, the City of Independence was assigned 16 Green Rankings and just one (1) Yellow (Cautionary) Ranking. The one Yellow Ranking was for Number 7 – Change in General Fund Income Tax Revenue.

Although on a Cash Basis Municipal Income Tax Revenue (MITR) went up slightly from 2019 to 2020, on an accrual basis (recording revenue when it was “earned,” not necessarily when it was “received”), the State Auditor’s Office considers Independence’s MITR to have decreased from 2019 to 2020 as follows:

<u>Year</u>	<u>Generally Accepted Accounting Principles General Fund Income Tax Revenue</u>
2020	\$33,212,107
2019	\$33,956,815
2018	\$33,653,307

Independence received a Cautionary Outlook for this Indicator because on a GAAP/Accrual basis, the \$744,000 decline in MITR from 2019 to 2020 exceeded one percent (1%). It actually declined by 2.19%.

All said, the City of Independence achieving 16 of 17 “Positive Outlook” Financial Health Indicators is a very positive result of this review process. To borrow from a previous Third Federal Savings and Loan jingle, Independence’s finances are **Strong, Stable and Safe**. Kudos go out to Mayor Kurtz, Council Members, Department Directors and staff/team members who all contribute in some small way to prudently managing the public’s tax dollars. Well done!!



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## **Recent Bond Purchase**

The City continues to invest where it can to earn a better yield than the very miniscule rates being paid on funds parked in money market type instruments.

The City recently acquired \$500,000 Par Value of One-Year Notes issued by Middletown, Ohio. The Yield to Maturity on these Notes is 0.181%. While 0.181% is historically low, it still exceeds the 0.08% currently being paid by Star Ohio and the 0.01% that would be earned by funds in a basic money market account with Fifth Third.

## **Emergency Medical Service (EMS) Billing**

The City of Independence contracts out with a firm called Medicount for its EMS billing services. Medicount recently provided some data on the last 12 months of services, broken down into the last six months of 2020 and the first six months of 2021:

	<u>Transports</u>	<u>Revenue</u>	<u>Revenue per Transport</u>	<u>Collection Rate</u>
1 <sup>st</sup> 6 Mo's 2021	440	\$139,103	\$316.14	89.1%
Last 6 Mo's 2020	451	\$142,244	\$315.40	84.2%

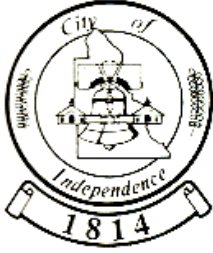
Note that the Revenue figures cited above are the City's share of what Medicount collects. The first Six Months of 2021 Revenue Total is slightly different than the "Cash" figure that the Finance Office has recently communicated. This is due to Medicount billing for EMS services in one month, collecting what it can in subsequent months, and remitting the City's share to the City in subsequent months after that. So the nominal Total Revenue difference is purely due to timing/reporting differences.

## **Societal Trend/Observation**

Smart and successful organizations are constantly staying aware of trends, happenings and societal shifts to better gauge how they need to adapt and adjust to remain viable and successful.

One such trend has been the fairly steady movement of population from Northeast and Midwest states to states generally in the South and Southwest.

Regular readers of this Weekly Memorandum know of its fondness of the information and data featured in the *Wall Street Journal*. A recent article on that steady population shift away



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### **Societal Trend/Observation Continued**

from Northeast and Midwest states to states like Florida had the following and insightful quote that municipal government leaders should remember and comprehend its impact:

*"The tax play in Florida has been there for as long as we can remember. The sunshine has always been there. The beach has always been there. **What really pushed people over the edge in the last 12 months [Relocating to Florida] was the ability to do business from anywhere in the world and the actions of local governments.**"*

The ability to do business (and perform many office-type functions) from anywhere in the world is self-explanatory. If this trend remains strong, it can materially impact future tax revenue streams. The person who said this did not elaborate on which "actions of local governments" were causing this increased relocation rate from Northeast and Midwest states to Florida.

We can only guess, since it was already acknowledged that states like Florida with no state or local income taxes have a huge built-in advantage over states with both state and local income taxes. Increased business regulations? More laws that restrict freedoms? Onerous, reactionary zoning and land-use regulations? Legislation to move funding away from policing and safety efforts? More local government mandates? Other measures?

We don't know, but whatever the actions are by local governments that are contributing to more and more people from the Northeast and Midwest part of the country relocating to other parts of it should be studied carefully if it is desired to stem that outward exodus of productive residents.

### **Savings**

The calendar turns to August this weekend, and with that comes the start of practices for fall sports. This Memorandum will close this week with three sayings that are oft repeated to the Cross Country Team Members. The goal is to get them into and keep them in a hard-working, "hungry" frame-of-mind. But they are also applicable to anyone in all aspects of life:

- ***Discipline is doing what you don't want to do when you don't want to do it***
- ***If you want to be out in front, then act as if you are behind***
- ***The Dictionary is the only place where 'Success' comes before 'Work'***