



## 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 9, 2021

Re: Finance Department Updates

#### **American Rescue Plan Act (ARPA) of 2021**

When the funds to be released to cities and villages across the country under this Act were announced earlier this year, Independence was slated to receive approximately \$1.4 million – half in May of 2021 and the other half in 2022.

Not only did the City not receive the first payment that was to be received in May, but now Independence is estimated to receive **at most**, \$750,000 under this Act - \$375,000+- in 2021 and \$375,000+- in 2022.

Independence is what is called a Non-Entitlement Unit (NEU), meaning that it is a city with less than 50,000 in population. The Ohio Office of Budget and Management (OBM) just released the application process and on-line portal for NEU's to apply for their ARPA funds this past Tuesday. The Independence Finance Department has already submitted its application for these funds and it is now pending with the OBM.

So how does a city like Independence go from being projected to receive approximately \$1.4 million to **at most** \$750,000? Good question!

The United States Treasury (Treasury) was charged with disseminating the funds allocated under this Act. Cities with populations over 50,000 received their funds directly from Treasury. The NEU's – the smaller cities and villages with populations under 50,000 - are to get their funds through their respective states, who received the funds from Treasury.

The following is suspected to have happened that resulted in all cities and villages receiving less than originally projected under this Act.

When the Act was passed, the funding formula was based on cities and villages receiving funds under it. That's how the \$1.4 million was projected for Independence. But there are a lot of people who live in townships, at least in Ohio. Them and their trustees (townships are governed by trustees in Ohio, not by a traditional mayor and council) must have started asking something along the lines of "*We're residents of this country too. Why should all this federal assistance only be directed to residents of cities and villages?*"



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## **American Rescue Plan Act (ARPA) of 2021 Continued**

So when Ohio received its allocation of funds under this Act that were originally expected to be distributed to just the cities and villages in it, Ohio also included townships in calculating how it was going to distribute its allocation of ARPA funds.

It is suspected that is the reason why cities and villages will end up receiving much less than originally projected – because the funds are being disseminated across a much larger population base than originally projected.

## **Lou Onders – Finance Director**

Lou Onders recently passed away. The calling hours are today and Lou's funeral is tomorrow, Saturday, July 10.

The Finance Department recognizes Lou today, as he served as the City's Finance Director a number of years ago.

Lou had a very straight-forward, down-to-earth attitude that was refreshing to work with in the public sector. Lou also was not a Certified Public Accountant (CPA). Not that a CPA license hurts, but Lou is one of many non-CPA's who had very successful municipal finance director or school district treasurer careers.

The Finance Department recognizes those who have previously occupied this office, planted the seeds and laid the groundwork for what it is today. Thanks for all you did, Lou – God bless!

## **Debt**

Yesterday's Wall Street Journal had an article in it on world-wide corporate debt, and how it topped out at \$13.5 trillion in 2020.

But the article also opined that this unprecedented level of corporate debt might not spell disaster because a lot of the money borrowed by companies the last few years hasn't been spent or invested yet. It's just sitting as the asset (what is owned) "Cash" on corporate balance sheets, offsetting the "Debt Payable" on the liability (what is owed) side.

The potential downside to all that debt comes when that borrowed cash is finally put to use. The key line from this article was "*The moral of the story is that even when cash rises in tandem with debt, it (the cash) can end up in the wrong places.*" Bingo – spot on observation!

Thankfully, the City's debt has been used for infrastructure investment and re-investment throughout the city, which most would agree is the "right" place for borrowed cash to be utilized.