



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, March 25 2022

Re: Finance Office Updates

2022 – 2026 Five-Year Capital Improvement Plan (CIP) Meetings

Council Workshops are set for three days next week for Mayor Kurtz and Directors to present capital requests and infrastructure projects over the next five years as follows:

- Monday, March 28 3:30 PM
- Tuesday, March 29 3:30 PM
- Thursday, March 31 3:30 PM

Since it is not known at this point how much discussion time will be needed for Mayor Kurtz and Directors to adequately respond to all of Council's ideas, questions, concerns, etc., there will not be a hard-and-fast schedule.

Following is an overall general, tentative schedule that would be ideal, but may or may not be able to be held to:

- Monday, March 28 Mayor/Directors present departmental capital purchases
- Tuesday, March 29 Mayor/Dave present buildings and lands capital needs
- Thursday, March 31 Mayor/Don present on maintenance contracts, residential and commercial streets, TIF Projects and Other Engineering Projects

If the entire document can be reviewed and agreed to in three days of meetings, great. If not, additional time over the subsequent few weeks can be scheduled so that adequate time is given to this process so that a consensus can be reached as to a final document and plan.

Finance will be working over the weekend to make the final edits, additions, deletions, etc., and will provide electronic and/or hard copies on Monday.



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2022 – 2026 Five-Year Capital Improvement Plan (CIP) Meetings Continued

Finally, all of you (Mayor Kurtz and Council) will likely need to channel your inner Warren Buffets as this process is worked through next week and beyond if needed.

When asked one time what his primary responsibility was at Berkshire Hathaway, Mr. Buffet was able to very succinctly state in three words what that primary responsibility was:

“I allocate capital.”

Allocating capital will be one of the primary responsibilities next week, as traditionally, the total cost of desired capital purchases and infrastructure projects usually exceeds the amount of available funding that can be generated internally.

That situation isn't the end of the world if the decision is made to borrow money to make up some/part/all of the gap, or place some type of capital levy on the ballot for voter approval.

But if neither of those options are going to be considered in the short-run, then “allocating capital” will elevate in importance if the total cost of desired capital purchases and infrastructure projects exceeds the amount of available funding that can be generated internally.

\$12.875 million for capital purchases and infrastructure projects has been appropriated at present in the 2022 Annual Appropriations Ordinance (Ordinance 2022-9). If (and that's a big “If”) every dollar that is appropriated in 2022 is actually spent, the City's 2022 Cash Flow Summary would roughly be as follows:

• Beginning Cash Balance, January 1, 2022	\$36,314,945
• Plus All Projected Revenue (including HIDTA/Strike Force)	<u>+51,533,571</u>
• Equals Estimated Total Available Cash	\$87,848,516
• Less Est. Operating Expenses (including HIDTA/Strike Force)	<u>-41,476,035</u>
• Equals Estimated Cash available for Debt Service & Capital	\$46,372,481
• Less 2022 Debt Service (Principal and Interest – Fixed)	<u>-2,192,069</u>
• Equals Estimated Cash Available for Capital/Infrastructure	\$44,180,412
• Less 2022 Capital/Infrastructure Appropriations	<u>-12,875,000</u>
• Equals Estimated Ending Cash Balance, December 31, 2022	\$31,305,412

Passing the Annual Budget (Appropriations Ordinance), which is a function of allocating capital, is one of the most important responsibilities of Council. Capital acquisitions and infrastructure projects are a very important component of that budget. Looking forward to next week!