



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: October 30, 2020

Re: Finance Department Updates

2021 Annual Appropriations Ordinance (The Budget)

The overriding sentiment on Council appears to be to adopt the 2021 Annual Appropriations Ordinance in December, prior to the start of the 2021 Fiscal Year. The Finance Department 100% concurs with this and has long been an advocate of adopting the subsequent fiscal year appropriation ordinance prior to it starting (In the even years when there is not going to be any Council Member turnover on January 1).

The business world definitely plans and budgets well before the start of a given fiscal year. Although the Ohio Revised Code gives local municipalities until the end of March of a given fiscal year to adopt an appropriation ordinance, that isn't a best practice to finally adopt a budget for a fiscal year when that fiscal year is already 25% complete.

To that end, the Finance Department met with Mayor and Kurtz and Department Directors earlier this week to initiate the 2021 Annual Appropriations Ordinance discussion. Each director is going to work with the Finance Department and Mayor Kurtz to develop a 2021 Budget that the Mayor supports and advocates for and will be submitted to Council by mid-November for its deliberation, discussion and ultimate adoption.

The Finance Committee of Council has a meeting scheduled for Tuesday, November 17 to review initial 2021 budget proposals from each department. Tuesdays after November 17 that are available prior to the December 8 Regular Council Meeting are:

Tuesday, November 24
Tuesday, December 1

Those three Tuesdays should be sufficient to present, discuss and debate both the 2021 Annual Appropriations Ordinance and the Five Year Capital Improvement Plan (CIP). If for some reason those three Tuesdays are not enough, there always is the option to meet on Tuesday



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2021 Annual Appropriations Ordinance (The Budget) - Continued

December 15 and Tuesday December 22 if needed to wrap up and adopt either or both of those two very important budget documents.

Ohio Bureau of Workers' Compensation (OBWC)

Earlier this week, Governor DeWine announced that he was recommending that the Board of the Ohio Bureau of Workers' Compensation (OBWC) approve a \$5 billion dividend to participants in the OBWC system at its next board meeting on Monday, November 2.

If the OBWC Board affirmatively approves this dividend, based on how it will be calculated, it appears that the City Of Independence will be in line to receive an approximate \$248,000 dividend – tentatively scheduled to be received in December.

By way of reference, the City Of Independence expensed \$275,600 in 2019 for Workers' Compensation Insurance.

Investment Portfolio

The City Of Independence has long had a portion of its total investment portfolio placed with Fifth Third Securities. Most of the securities in that portfolio were negotiable Certificates of Deposit (CD's).

Because those CD's were acquired in previous years when interest rates were higher and because those CD's were callable after a certain date (meaning that once that date passed, the issuer of a CD had the right to pay the principal balance on it and be done paying those interest rates that are higher than current market rates), all of them except one where the call date hasn't been reached yet, were called over the last few months.

The Finance Department has been working with Fifth Third Securities to reinvest those funds. Because current CD rates are quite low (Nobody can match the rates that Independence Bank gives to the City. But since the City has so much money invested in Independence Bank CD's, it wouldn't be prudent to allocate additional funds with it and have an even greater percentage of the City's overall portfolio invested with it than it already does), one-year notes of various Ohio municipalities are being identified for re-allocating those investment funds.

Even those rates won't be comparable to previously higher historical rates, but they sure will beat the 0.01% the funds would earn in a 7-day money market fund.