

## JIC Financial History and Projections

### 1. Purpose:

The purpose of this exercise is to provide the Mayor, Commissioners and taxpayers of JIC a frame of reference to understand the finances of the town and to assist the Commission in the budget and planning process. It includes an outline of the history (how we got to this point) an analysis of the FY20 Budget and three versions of a five year plan to guide us into the future.

### 2. History:

There have been a number of macro events in the last 20 years that have impacted the town's finances:

The real estate boom 2000-2008.

The Great Recession 2009-2013.

The Underground Utilities Project.

The NRP.

The Increase in fire/rescue fees.

The purchase of the new Town Hall.

Using 240 homes as the base, the average assessed value was:

\$450,000 in FY 2001

\$1,021,000 in FY 2009

\$892,000 in FY 2011

\$1,608,000 in FY 2021

The millage rate went from 5.59 in FY01 down to 3.81 in FY10 up to 5.75 in FY14 and down to 4.85 in FY20. This reflects the impact of the macro factors listed above, which I will explain verbally.

In retrospect, we would have been better served if we had been more conservative in reducing millage rates based on some of the macro factors listed above, specifically, the recession and the purchase of TH. In FY10 and 11, we took \$410,000 from operating reserves to cover budget deficits due to the recession and subsequent loss of revenue exacerbated by millage rate reductions. In FY15 and 16, we took \$685,000 from op reserves to cover the cost of purchase an renovation of TH.

Because of these events and our tax policy decisions, the op reserve is estimated to be \$350,000 at the end of FY20, as

opposed to the range of \$800,000-\$1,000,000 prior to the recession.

**The goal of this exercise in the planning process is that by the end of FY25, the op reserve will be back to the \$1,000,000 level.**

### 3. Analysis of the FY20 Budget

To be given verbally with Addendum 1.

### 4. FY21-25 Plan Projection

Addenda 2, 3 and 4.

In producing 3 plan versions, I based them on the assumptions of a straight line average of FY16-20 except where indicated. I will explain verbally.

### 5. Objective:

As stated above, the objective is to increase the reserve to over \$1million by the end of FY 25.

There are several reasons to do this:

Unforeseen macro events/expenses.

Potential revenue shortfalls.

Flexibility to reduce/eliminate mortgage loan.

By the end of FY25, town expenses are projected to be around \$3million. A \$1million reserve puts us at a 33% coverage, still below the coverage prior to the Great Recession.

### 6. Summary

This exercise is intended to help us in considering the Mayor's Budget for FY21 and in thinking ahead to put in place the steps to keep the town financially secure and independent. It is meant to enlighten, not to advocate a position. The plan exhibits can be altered with different assumptions if commissioners so desire. I will take any input and produce plans accordingly.

**ADDENDUM 2  
Control Plan- 1**

	FY 21	FY 22	FY 23	FY 24	FY 25
Ad Valorem Revenue	2,072	2,183	2,299	2,421	2,548
Other Revenue	463	450	450	450	450
<b>Total Revenues</b>	<b>2,535</b>	<b>2,633</b>	<b>2,749</b>	<b>2,871</b>	<b>3,003</b>
<b>Total Expenses</b>	<b>2,350</b>	<b>2,485</b>	<b>2,628</b>	<b>2,778</b>	<b>2,938</b>
<b>Net</b>	<b>185</b>	<b>148</b>	<b>121</b>	<b>93</b>	<b>65</b>

Property Value + 5.3% / Year  
 Millage -5.54 each Year  
 Expenses= +5.74% Year

	FY 10.01.20	FY 21	FY 22	FY 23	FY 24	FY 25
Reserve	350	535	683	805	898	963

**(\$000) Omitted**

**ADDENDUM 3  
Control Plan 2**

	FY 21	FY 22	FY 23	FY 24	FY 25
<b>Ad Valorem Revenue</b>	2072	2206	2324	2447	2576
<b>Total Revenues</b>	2,350	2,656	2,774	2,897	3,026
<b>Net</b>	185	171	146	119	88
<b>Reserve</b>	535	706	852	971	1,059

**Millage -5.6 +4**

ADDENDUM 4  
Control Plan 3

	FY 21	FY 22	FY 23	FY 24	FY 25
Ad Valorem Revenue	2,535	2,656	2,724	2,897	3,026
Expense	2,350	2,473	2,603	2,740	2,883
Net	185	183	121	154	143
Expense +5.25% Year Reserve	535	718	839	996	1,139

## 2020 Budget Analysis

### Revenue:

AdValorem=78%

Fees=18%

Intergovt.=3%

Misc.=1%

Total=100%

### Expenses:

Admin.=35%

Planning=1%

Police=34%

Fire=19%

Bldg.=7%

Beautif.=4%

Roads=-%

Total=100%

Fixed Expenses=\$1070m 46%

(Mortgage, Fire, WM, Audit, Planner, Assessments, Police Auto, Dispatch)

Semi-fixed=\$1105m 48%

(90% of net Admin, Police, Beautification, Bldg.)

Semi-Variable=\$90m 4%

(10% of net Admin, Police, Beautification, Bldg., Code)

Discretionary=\$44m 2%

Memberships, Training, POA, Events