

February 12, 2024

2023 FINANCIAL MANAGEMENT PLAN FOR THE:

Village of Jackson, WI



Prepared by:

Ehlers
N19W24400 Riverwood Drive,
Suite 100
Waukesha, WI 53188

Advisors:

Brian Roemer
Senior Municipal Advisor
Ariana Schmidt
Financial Specialist

BUILDING COMMUNITIES. IT'S WHAT WE DO.

Table of Contents

Section 1 – Background	2
Section 2 – Objectives	2
Section 2 – Process	2
Section 3 – Current Financial Position	3
3.1 General Obligation (G.O.) Debt Schedule	3
3.2 Financial Indicators.....	6
3.3 Current Financial Position Conclusion	11
Section 4 – Financial Plan Data Tables	12
4.1 Equalized Value	12
4.2 Operating Budget Projections	15
4.2.1 General Fund Expenditures	15
4.2.2 General Fund Revenues	16
4.3 Capital Finance Plan.....	18
Section 5 – Projected Property Tax Impacts	21
Section 6 – TIF Districts & Economic Development	23
6.1 TID No. 4.....	23
6.2 TID No. 5	24
6.3 TID No. 6	24
6.4 TID No. 7	24
6.5 Economic Development Initiatives.....	25
Section 7 – Water and Sewer Utilities	25
7.1 Water Utility	26
7.2 Sewer Utility	29
Section 8 – General Conclusions & Observations	32
Section 9 – Recommendations	33
Section 10 – Acknowledgements	34



SECTION 1 – BACKGROUND

In April 2023, Ehlers was engaged by the Village to prepare a comprehensive Five-Year Financial Management Plan (“FMP”) to guide future financing decisions. This document summarizes the results of that planning effort and is intended to be used as an analytical framework for making future financial decisions. In addition, since this is the first time the Village has completed a FMP in at least the last 10-years, because conditions can change rapidly, and assumptions may or may not be borne out over time, it is recommended that this plan be updated annually or at other key times prior to making long-term financing commitments.

SECTION 2 – OBJECTIVES

During the FMP Ehlers, Village staff, and elected officials identified the following objectives for the planning effort:

- Monitor historical and projected use of and eligibility with Expenditure Restraint Program and Levy Limit statutes.
- Identify impacts of personnel initiatives.
- Identify effective use of additional non-levy revenue sources including newly adopted Act 12 County and Municipal Aid. In addition, have financial forecasting to project continued compliance with Act 12 stipulations to maintain eligibility status.
- Identify effective use of remaining ARPA dollars for capital needs.
- Identify a 10-year plan for project utility rate adjustments that maintain affordable, fair, and equitable rates for users. In addition, understand effective use of the Public Service Commission of Wisconsin’s windows of opportunity for water rate adjustments.
- Analyze “all-in” capital funding scenario and identify appropriate use of cash versus debt financing.
- Analyze annual versus biennial debt financing cycles.
- Maintain healthy General Fund Balance during forecast period.

SECTION 2 – PROCESS

Development and refinement of the financial plan model was completed during a series of planning workshops with the Village Board and FMP Committee. These workshops were held on August 8, August 29, October 5, October 10, October 31, and December 12. During these workshops, Village officials were briefed on

- the status of the Village’s financial position;
- historical and projected valuation trends;



- capital financing options;
- tax rate projections for operating, capital, and debt service expenditures;
- and cash flow projections for Water and Sewer Utilities and the Tax Incremental Districts 4, 5, 6 & 7 (“TID 4, 5, 6, or 7”).

In addition, there were several planning meetings with staff to identify several scenario based financial models and refine assumptions built into future projections.

SECTION 3 – CURRENT FINANCIAL POSITION

As part of the planning process, the current financial position of the Village was reviewed. This review included an analysis of current general obligation debt structure, and a comparison of credit and financial indicators of the Village to statewide medians and to selected communities in Wisconsin with similar demographics in terms of location or size.

3.1 General Obligation (G.O.) Debt Schedule

Table 1 provides a schedule of existing Village G.O. debt and associated payments. G.O. debt is secured by the “full faith and credit” of the issuer, meaning the Village has an irrevocable duty to annually levy a property tax in an amount sufficient to ensure timely repayment of the debt. While the debt is ultimately secured by the ability to levy a property tax, the Village can, and does, abate portions of the levy with other sources of revenue available for debt payments. These other sources of revenue include:

- Tax increments from TID 6
- Tax increments from TID 7
- Payments from entities associated with the EMS department

Collectively, these non-property tax revenue sources are expected to repay approximately 28% of the scheduled debt service of all Village G.O. debt issued as of January 1, 2024.



Table 1
Existing G.O. Debt Base Case

Village of Jackson, WI

Year Ending	Existing Debt							Year Ending
	Total G.O. Debt Payments	G.O. Debt Expense	Less: TID #6	Less: TID #7	Less: EMS (Outside Muni's)	Net Tax Levy	Change in DS Levy to Prior Year	
2023	1,942,877	800	(238,564)	0	(71,454)	1,633,659		2023
2024	1,905,606	1,600	(290,535)	0	(71,454)	1,545,217	(88,442)	2024
2025	1,896,205	1,600	(309,910)	0	(71,454)	1,516,440	(28,776)	2025
2026	1,906,250	1,600	(323,610)	0	(71,454)	1,512,785	(3,655)	2026
2027	1,871,292	1,600	(341,968)	0	(71,454)	1,459,470	(53,316)	2027
2028	1,819,417	1,600	(345,100)	0	(71,456)	1,404,461	(55,009)	2028
2029	1,470,965	1,600	(292,975)	(136,245)	0	1,043,345	(361,116)	2029
2030	1,215,165	1,600	(285,675)	(149,445)		781,645	(261,700)	2030
2031	1,256,549	1,600	(288,055)	(148,566)		821,528	39,883	2031
2032	1,250,948	1,600	(289,995)	(147,593)		814,960	(6,568)	2032
2033	1,234,421	1,600	(281,535)	(146,524)		807,963	(6,997)	2033
2034	1,216,960	1,600	(272,895)	(145,357)		800,308	(7,654)	2034
2035	1,208,678	1,600	(269,138)	(145,673)		795,467	(4,841)	2035
2036	1,194,435	1,600	(260,075)	(145,851)		790,109	(5,358)	2036
2037	1,179,340	1,600	(250,825)	(145,889)		784,226	(5,883)	2037
2038	1,187,995	1,600	(266,000)	(145,782)		777,813	(6,414)	2038
2039	1,150,558	1,600	(265,400)	(136,046)		750,711	(27,102)	2039
2040	453,375	1,600	0	0		454,975	(295,736)	2040
2041	0					0	(454,975)	2041
Total	23,418,156	27,200	(4,633,690)	(1,592,970)	(357,273)	16,861,423		Total

Notes:

Wisconsin State Statues limit the amount of G.O. debt principal that a community may have outstanding to 5% of its equalized value (including the value of any tax increments). Based on **Chart 1** below, the Village’s equalized value as of January 1, 2023 was \$1,182,093,600 with a corresponding debt principal limit of \$59,104,680. The Village’s outstanding debt principal as of December 31, 2023 was \$19,860,899 which is 34% of the limit. The following chart identifies future amortization of existing debt against the projected valuation and corresponding debt limit annually.



Chart 1. Existing Debt				
Year Ending	Projected Equalized		Existing Principal	
	Value (TID IN) ¹	Debt Limit	Outstanding	% of Limit
2023	1,182,093,600	59,104,680	19,860,899	34%
2024	1,212,373,585	60,618,679	18,433,587	30%
2025	1,243,429,209	62,171,460	16,974,893	27%
2026	1,275,280,341	63,764,017	15,463,713	24%
2027	1,307,947,356	65,397,368	13,943,171	21%
2028	1,341,451,156	67,072,558	12,430,000	19%
2029	1,375,813,174	68,790,659	11,225,000	16%
2030	1,449,878,994	72,493,950	10,245,000	14%
2031	1,487,018,451	74,350,923	9,200,000	12%
2032	1,525,109,256	76,255,463	8,140,000	11%
2033	1,564,175,778	78,208,789	7,075,000	9%
2034	1,604,243,011	80,212,151	6,005,000	7%
2035	1,645,336,589	82,266,829	4,920,000	6%
2036	1,687,482,801	84,374,140	3,825,000	5%
2037	1,730,708,612	86,535,431	2,720,000	3%
2038	1,775,041,677	88,752,084	1,580,000	2%
2039	1,820,510,357	91,025,518	450,000	0%
2040	1,835,668,896	91,783,445	0	0%
2041	1,881,624,811	94,081,241		0%
2042	1,928,731,231	96,436,562		0%
2043	1,977,016,959	98,850,848		0%
2044	2,026,511,518	101,325,576		0%
2045	2,077,245,172	103,862,259		0%
2046	2,129,248,942	106,462,447		0%
2047	2,182,554,625	109,127,731		0%
2048	2,237,194,813	111,859,741		0%

Notes:

1) Projected TID IN EV based on 5-year average at 2.56 % annual inflation.



3.2 Financial Indicators

Investors in municipal bonds and other forms of public debt may rely on ratings assigned by credit rating services as one determinant in judging the risk of a particular investment. As such, an issuer’s rating affects the price and interest rate that will be paid when debt is issued. Bond ratings are provided, for a fee, by firms such as Moody’s Investors Service, Standard & Poor’s, and Fitch Ratings. **Table 2**, found below, defines the rating codes used by Moody’s Investors Service and Standard & Poor’s in evaluation of “Investment Grade” securities.

Table 2
Bond Ratings and Description

Village of Jackson WI

Moody's	S&P	Rating Description
Aaa	AAA	Highest rating assigned. The obligor’s capacity to meet its financial commitment on the obligation is EXTREMELY STRONG
Aa1	AA+	Differs from the highest rated obligations only in small degree. The obligor’s capacity to meet its financial commitment on the obligation is VERY STRONG
Aa2	AA	
Aa3	AA-	
A1	A+	Is somewhat more susceptible to the adverse affects of changes in circumstances and economic conditions than obligations in higher rated categories. The obligor’s capacity to meet financial commitment on the obligation is still STRONG
A2	A	
A3	A-	
Baa1	BBB+	Exhibits ADEQUATE protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation
Baa2	BBB	
Baa3	BBB-	

The Village is rated A1 by a Moody’s Investors Service. The most recent credit opinion was released January 5, 2023. Credit strengths identified were above average resident income levels and favorable location near Milwaukee with growing tax base. Credit weaknesses identified were Elevated overall leverage and limited revenue raising flexibility due to state-imposed levy limits. In addition to



current strengths and weaknesses Moody's reports also indicate factors that could lead to an upgrade and downgrade. The latest report indicated the following factors that could lead to an upgrade including

- a material growth in the village's reserves,
- continued growth and diversification of the tax base, and
- significant moderation of overall leverage.

On the other hand the latest report indicated the following factors that could lead to a downgrade including

- growth in leverage beyond planned debt issuances,
- material declines in reserves, and
- weakening of tax base or resident incomes.

Beyond the recent credit opinion, the typical financial indicators that are used by the rating agencies to determine credit quality are useful when gauging the financial position of a community. In assigning a rating to a bond, credit rating services examine various measures designed to assess the debt issuer's financial condition. Local governments can calculate these same measures for themselves and use them as the basis for self-evaluation, and in the development of formal or informal financial management policies. Typical financial indicators include:

- **Equalized Value of Community** – One of the most significant factors considered by credit rating services is the total value of all taxable property in the community. The size of a community's tax base is a reflection of its ability to pay, and accordingly, its creditworthiness. An additional qualitative indicator is the composition of the local tax base. A diverse property tax base of residential, commercial and industrial land uses that is not concentrated in a particular segment of the economy or in several large employers is considered more resilient to economic fluctuations.
- **Average Annual Growth** – An indicator of economic health and ability to repay existing and future debt, this calculation represents the average percentage growth in equalized value over the most recent five-year period for which data is available.
- **Per Capita Equalized Value** – Total equalized value, divided by population, this measure reflects the concentration of value relative to population. High value per capita may be an indicator of a large non-residential commercial or industrial base, or a community with comparatively large and high valued



homes. In general, a greater value per capita is a positive indicator of ability to repay debt.

- **Direct Debt Burden** – The total principal amount of debt outstanding, expressed as a percentage of the issuer’s total equalized value, and as a total per capita. As opposed to Overall Debt Burden (see below), Direct Debt Burden calculations consider only that debt which is issued as an obligation of the municipality.
- **Overall Debt Burden** – Similar to Direct Debt Burden but includes the total principal amount of debt outstanding for all entities that have taxing authority within the community’s boundaries, including the local government, the school district, the county, the technical college, and any special taxing jurisdictions. Both direct and overall debt burden reflect the tax effort required of individual taxpayers, and the community, to repay incurred debt obligations.
- **Payout Over Ten Years** – Expressed as a percentage, this indicator reflects the amount of debt principal of the issuer that will be retired within ten years. While various considerations must be considered when determining the appropriate term over which to repay a debt obligation, a rapid amortization of debt is a favorable credit indicator.
- **Undesignated General Fund Balance** – Expressed as a percentage of annual operating revenues, this indicator reflects the local government’s financial flexibility and capability to deal with contingencies such as unexpected losses in revenue or emergency expenditures. Depending on the purpose for which it has been reserved, some portion of the undesignated reserved fund balance may also be included in this calculation.
- **Percentage of Expenditures for Debt Service** – The total of a local government’s gross general obligation debt service payment expressed as a percentage of the sum of all operating and debt service fund expenditures. This measure assesses what proportions of a community’s resources are being utilized for debt repayment, and the relative reliance on debt financing. In some cases, non-tax levy resources such as tax increments (TIF), special assessments and impact fees may be paying for a significant portion of the annual debt service payment. In these instances, it is also useful to calculate the percentage based on the net levy amount for debt service to reflect the application of these other resources.



- **Adjusted Gross Income Per Tax Return** – The total reported gross income within a political subdivision divided by the number of returns filed. This indicator provides a measure that can be used to assess relative wealth as compared to communities with similar characteristics.
- **Adjusted Gross Income as a Percentage of State Average** – Similar to Adjusted Gross Income per Tax Return, this indicator reflects the relative wealth of the community as compared to the Statewide average.

Table 3 reflects the calculated factors for the Village based on information contained in the financial statements and other available sources. These factors are compared to various cities and villages of similar rating levels in the surrounding area where information was available.

When compared to like rated peers the Village is in good standing with the following factors:

- Overall Debt Burden
- Payout, 10-years
- Annual Average Growth
- Equalized Value

When compared to like rated peers the Village could improve the following factors:

- Undesignated General Fund % of Total Operating Revenues
- % of Exp. For Debt Service
- Population

[INTENTIONALLY LEFT BLANK; TABLE 3 ON NEXT PAGE]



Table 3. RATING FACTORS OF COMPARABLE COMMUNITIES

Municipality	Current Rating	Overall Debt Burden	Direct Debt Burden	Payout, 10-Years	Direct Debt Per Capita	Overall Debt Per Capita	Average Annual Growth FV	Undesignated Gen. Fund % of Total Op. Rev.	% of Exp. for Debt Service	Adj Gross Inc Per Return (2022)	Adj Gross Inc as % of State (2022)	Per Capita Eq. Value (2023)	Eq. Value TID - IN (2023)	Population (2023)
Jackson	A1	2.24%	1.68%	69.76%	\$2,533	\$3,372	11.66%	59.05%	27.26%	\$74,862	106.11%	\$150,758	1,182,093,600	7,841
Slinger	A1	3.15%	2.30%	48.86%	\$3,487	\$4,784	11.50%	14.93%	4.93%	\$83,102	117.79%	\$151,855	987,056,300	6,500
Horicon	A1	6.19%	2.30%	100.00%	\$2,160	\$5,806	6.40%	94.07%	5.15%	\$55,393	78.52%	\$93,827	353,635,800	3,769
Ripon	A1	4.26%	1.65%	100.00%	\$1,256	\$3,247	4.69%	26.82%	5.91%	\$56,342	79.86%	\$76,205	585,860,300	7,688
Waupun	Aa3	4.31%	1.94%	87.22%	\$1,190	\$2,646	8.66%	53.06%	13.33%	\$68,490	97.08%	\$61,255	683,050,600	11,151
Elkhorn	Aa3	4.66%	2.92%	75.77%	\$3,397	\$5,414	9.27%	54.68%	17.29%	\$60,975	86.43%	\$116,205	1,195,286,200	10,286

Source: Moody's Investor's Service Most Recent Credit Reports & Village or City Audits, State of Wisconsin (DOR)



It should be noted that as a fast-growing community it is typical to see a correlated increase in debt obligations in order to provide necessary infrastructure for expansion. However increased debt burden should be taken on carefully and with measure in place where growth can pay for growth. Therefore, as noted earlier in this plan, the Village expects that 28% of all current G.O. debt service payments will be paid from other revenue sources such as TIF. Since the financial indicators discussed in this section do not distinguish between G.O. debt that is repaid from general property taxes, and G.O. debt repaid with tax increments or other non-property tax sources, the Village’s indicators reflected above should be considered in the context of how debt is being repaid. **Table 4** provides a breakdown of two key indicators including and excluding G.O. debt allocated to abatement sources. When TID and Utility related debt is excluded, the Village’s percent of direct debt burden and direct debt per capita drops significantly. It should also be noted that from 12/31/21 to 12/31/23 GO debt outstanding has dropped by 2.1M

Table 4
Rating Factors Adjusted

Village of Jackson, WI

	Direct Debt Burden	Direct Debt per Capita
All Current Village GO Debt	1.68%	\$2,533
Excluding Abatements	1.04%	\$1,960

3.3 Current Financial Position Conclusion

The analysis presented in this Section provides one way in which to benchmark the current financial health of the community. The remainder of the financial management plan will use future projections to investigate ways to maintain and improve the financial position. The Village presently has formal financial management policies that establish targeted Unassigned Fund Balance equal to 35% and a maximum Unassigned Fund Balance equal to 75% should be maintained of total General Fund Expenditures. While the Village can further develop policies or guidelines designed to control some of the measures discussed in this section, other variables, such as growth rates, personal income levels, and debt plans of other overlapping taxing entities are largely outside of the ability of the Village Board to influence or control.



SECTION 4 – FINANCIAL PLAN DATA TABLES

4.1 Equalized Value

Projection of the tax rate impact of operating, capital and debt expenditures over time requires that assumptions be made as to the pattern of future growth in the Village. Projections developed for the Village’s financial model utilize equalized (fair market) values, which provide for more accurate forecasting by eliminating the need to account for changes in assessment ratios and revaluation. During the period from 2019 through 2023, Village equalized value increased by an average of 14.83% per year. This average includes value increases that occurred within TID 3 and TID 5. A total of 8.18% of the average annual value increase was the result of economic (inflationary) change, with new construction and other changes accounting for the balance (see **Table 5**).

Table 5
Equalized Value Projection Model

Village of Jackson, WI

I. Five-Year Historical TID IN Growth by Category (Data Per Wis. Dept. of Revenue)									
Vaulation Year	Budget Year	Historical TID IN Equalized Value		Economic Change		New Construction		Other & Personal Property	
2019	2020	732,309,800							
2020	2021	785,455,400	7.26%	38,576,800	5.27%	10,947,400	1.49%	3,621,400	0.49%
2021	2022	916,555,900	16.69%	44,860,300	5.71%	14,270,300	1.82%	71,969,900	9.16%
2022	2023	1,069,281,100	16.66%	123,271,000	13.45%	23,577,300	2.57%	5,876,900	0.64%
2023	2024	1,182,093,600	10.55%	88,548,400	8.28%	25,567,500	2.39%	-1,303,400	-0.12%
AVERAGE CHANGE				73,814,125	8.18%	18,590,625	2.07%	20,041,200	2.54%

II. Five-Year Historical TID OUT Growth by Category (Data Per Wis. Dept. of Revenue - Breakdown Assumes Same Ratios as TID IN)									
Vaulation Year	Budget Year	Historical TID OUT Equalized Value		Economic Change		New Construction		Other & Personal Property	
2019	2020	678,525,300							
2020	2021	725,985,500	6.99%	34,449,938	5.08%	9,776,271	1.44%	3,233,991	0.48%
2021	2022	852,019,000	17.36%	43,126,461	5.94%	13,718,757	1.89%	69,188,282	9.53%
2022	2023	990,140,900	16.21%	111,484,056	13.08%	21,322,882	2.50%	5,314,962	0.62%
2023	2024	1,089,204,200	10.00%	77,756,425	7.85%	22,451,421	2.27%	-1,144,546	-0.12%
AVERAGE CHANGE				66,704,220	7.99%	16,817,333	2.03%	19,148,172	2.63%

Based on historical value trends, a model was developed to forecast future valuation growth for purposes of projecting tax rates. The model (see **Table 6**) projects values using the following techniques: 1) an assumption that TID OUT and TID IN values will continue to increase year over year based on historical indications; 2) an assumption that TID OUT & IN Economic and New Construction values will increase by discounted straight-line method. This method is conservative as it projects that the Village will grow at a slower rate than it has over the past five years. The equalized value projections do



include the anticipated closure TID Closures (value transferring from IN to OUT) and therefore approximately \$131 million has been added to the value projections.

[INTENTIONALLY LEFT BLANK; TABLE 6 ON NEXT PAGE]



Table 6
Equalized Value Projection Model
Village of Jackson, WI

IV. Projection of TID OUT Equalized Value									
Vaulation Year	Budget Year	Projected TID OUT Equalized Value		Economic Change		New Construction		TID Closure or Other Adjustment	
2024	2025	1,116,472,394	2.50%	21,753,681	2.00%	5,514,513	0.51%		0.00%
2025	2026	1,203,796,047	7.82%	22,298,283	2.00%	5,652,569	0.51%	59,372,800	5.32%
2026	2027	1,233,933,044	2.50%	24,042,319	2.00%	6,094,678	0.51%		0.00%
2027	2028	1,264,824,520	2.50%	24,644,218	2.00%	6,247,259	0.51%		0.00%
2028	2029	1,296,489,364	2.50%	25,261,185	2.00%	6,403,658	0.51%		0.00%
2029	2030	1,328,946,936	2.50%	25,893,598	2.00%	6,563,974	0.51%		0.00%
2030	2031	1,426,652,682	7.35%	26,541,843	2.00%	6,728,303	0.51%	64,435,600	4.85%
2031	2032	1,462,368,888	2.50%	28,493,231	2.00%	7,222,976	0.51%		0.00%
2032	2033	1,498,979,249	2.50%	29,206,558	2.00%	7,403,803	0.51%		0.00%
2033	2034	1,536,506,149	2.50%	29,937,743	2.00%	7,589,156	0.51%		0.00%
2034	2035	1,574,972,534	2.50%	30,687,234	2.00%	7,779,151	0.51%		0.00%
2035	2036	1,621,279,523	2.94%	31,455,488	2.00%	7,973,902	0.51%	6,877,600	0.44%
2036	2037	1,661,868,207	2.50%	32,380,335	2.00%	8,208,348	0.51%		0.00%
2037	2038	1,703,473,027	2.50%	33,190,976	2.00%	8,413,844	0.51%		0.00%
2038	2039	1,746,119,422	2.50%	34,021,911	2.00%	8,624,485	0.51%		0.00%
2039	2040	1,789,833,469	2.50%	34,873,648	2.00%	8,840,398	0.51%		0.00%
2040	2041	1,835,668,896	2.56%	35,746,709	2.00%	9,061,717	0.51%	1,027,000	0.06%
2041	2042	1,881,624,811	2.50%	36,662,138	2.00%	9,293,777	0.51%		0.00%
2042	2043	1,928,731,231	2.50%	37,579,974	2.00%	9,526,446	0.51%		0.00%
2043	2044	1,977,016,959	2.50%	38,520,787	2.00%	9,764,940	0.51%		0.00%
2044	2045	2,026,511,518	2.50%	39,485,154	2.00%	10,009,405	0.51%		0.00%
2045	2046	2,077,245,172	2.50%	40,473,664	2.00%	10,259,991	0.51%		0.00%
2046	2047	2,129,248,942	2.50%	41,486,921	2.00%	10,516,849	0.51%		0.00%
2047	2048	2,182,554,625	2.50%	42,525,544	2.00%	10,780,138	0.51%		0.00%
2048	2049	2,237,194,813	2.50%	43,590,170	2.00%	11,050,019	0.51%		0.00%
2049	2050	2,293,202,918	2.50%	44,681,449	2.00%	11,326,655	0.51%		0.00%
2050	2051	2,350,613,183	2.50%	45,800,047	2.00%	11,610,218	0.51%		0.00%
2051	2052	2,409,460,713	2.50%	46,946,650	2.00%	11,900,879	0.51%		0.00%
2052	2053	2,469,781,488	2.50%	48,121,958	2.00%	12,198,818	0.51%		0.00%
2053	2054	2,531,612,393	2.50%	49,326,690	2.00%	12,504,215	0.51%		0.00%

V. Projection of TID IN Equalized Value									
Vaulation Year	Budget Year	Projected TID IN Equalized Value		Economic Change		New Construction		Manual Adjustment	
2024	2025	1,212,373,585	2.56%	24,166,194	2.04%	6,113,792	0.52%		0.00%
2025	2026	1,243,429,209	2.56%	24,785,224	2.04%	6,270,400	0.52%		0.00%
2026	2027	1,275,280,341	2.56%	25,420,112	2.04%	6,431,020	0.52%		0.00%
2027	2028	1,307,947,356	2.56%	26,071,262	2.04%	6,595,754	0.52%		0.00%
2028	2029	1,341,451,156	2.56%	26,739,092	2.04%	6,764,708	0.52%		0.00%
2029	2030	1,375,813,174	2.56%	27,424,028	2.04%	6,937,989	0.52%		0.00%
2030	2031	1,449,878,994	5.38%	28,126,510	2.04%	7,115,710	0.52%	38,823,600	2.82%
2031	2032	1,487,018,451	2.56%	29,640,679	2.04%	7,498,779	0.52%		0.00%
2032	2033	1,525,109,256	2.56%	30,399,941	2.04%	7,690,864	0.52%		0.00%
2033	2034	1,564,175,778	2.56%	31,178,653	2.04%	7,887,870	0.52%		0.00%
2034	2035	1,604,243,011	2.56%	31,977,311	2.04%	8,089,922	0.52%		0.00%
2035	2036	1,645,336,589	2.56%	32,796,428	2.04%	8,297,150	0.52%		0.00%
2036	2037	1,687,482,801	2.56%	33,636,527	2.04%	8,509,686	0.52%		0.00%
2037	2038	1,730,708,612	2.56%	34,498,145	2.04%	8,727,666	0.52%		0.00%
2038	2039	1,775,041,677	2.56%	35,381,834	2.04%	8,951,230	0.52%		0.00%
2039	2040	1,820,510,357	2.56%	36,288,159	2.04%	9,180,521	0.52%		0.00%
2040	2041	1,835,668,896	0.83%	37,217,701	2.04%	9,415,685	0.52%		0.00%
2041	2042	1,881,624,811	2.50%	37,527,595	2.04%	9,494,085	0.52%		0.00%
2042	2043	1,928,731,231	2.50%	38,467,097	2.04%	9,731,769	0.52%		0.00%
2043	2044	1,977,016,959	2.50%	39,430,120	2.04%	9,975,404	0.52%		0.00%
2044	2045	2,026,511,518	2.50%	40,417,252	2.04%	10,225,138	0.52%		0.00%
2045	2046	2,077,245,172	2.50%	41,429,097	2.04%	10,481,124	0.52%		0.00%
2046	2047	2,129,248,942	2.50%	42,466,273	2.04%	10,743,518	0.52%		0.00%
2047	2048	2,182,554,625	2.50%	43,529,415	2.04%	11,012,482	0.52%		0.00%
2048	2049	2,237,194,813	2.50%	44,619,172	2.04%	11,288,179	0.52%		0.00%
2049	2050	2,293,202,918	2.50%	45,736,212	2.04%	11,570,778	0.52%		0.00%
2050	2051	2,350,613,183	2.50%	46,881,217	2.04%	11,860,452	0.52%		0.00%
2051	2052	2,409,460,713	2.50%	48,054,886	2.04%	12,157,378	0.52%		0.00%
2052	2053	2,469,781,488	2.50%	49,257,939	2.04%	12,461,738	0.52%		0.00%
2053	2054	2,531,612,393	2.50%	50,491,110	2.04%	12,773,717	0.52%		0.00%



4.2 Operating Budget Projections

A five-year projection of the Village’s general fund budget revenues and expenditures is included as **Appendix A** to this report. Specific assumptions as to rates of increase or decrease in revenues and expenditures are detailed within the Appendix. The following is an overview and summary of these assumptions.

4.2.1 General Fund Expenditures

While non-tax levy sources of revenue for most communities have remained stagnant, expenditures have not. Increases in the cost of employee health insurance, wages and increase in the cost of commodities such as fuel and salt have significantly outpaced net new construction. Based on these historical trends and Village staff’s expectation for categorical increases to expenditures, **Table 7** reflects the assumptions used in projecting operating expenses.

**Table 7
Forecast**

Village of Jackson, WI

GENERAL CODES			
CODE	DEFINITION		EXPLANATION
Z	Zero		Sets the value in all five years of the forecast period to zero.
L	Last		Sets the value in all five years of the forecast period to the value in the most recent budget or actual column.
5YRAV	Average		Sets the value in all five years of the forecast period to the average of the prior five year's values.
ACTUAL AV	Average		Sets the value in all five years of the forecast period to the average of the prior three year actual results values.
T	Trend		Sets the value to trend year over year

EXPENDITURE CODES			
CODE	DEFINITION	INCREASE	EXPLANATION
C	Commodities	2.00%	Fuel & Mileage, Office Supplies, Operating Supplies, Utilities, Uniforms, Office Furniture & Equipment
E	Employee Insurance	7.00%	Health, Dental & Life Insurance, Post Employment Health Plan, Long Term Disability
I	Insurance	7.00%	Property & Liability
S	Services	3.00%	Advertising & Printing, Communications, Contractual Services, Dues & Memberships, Janitorial Services, Maintenance Agreements, Meetings & Training, Professional Services, Publications & Subscriptions, Repairs & Maintenance
W	Wages	3.50%	Regular & Seasonal Wages, Overtime, Holiday & Misc. Compensation, Longevity, Premium Pay, Social Security, Retirement, Unemployment Compensation

On average, Village expenditures for operations (excluding debt and sinking fund reserve) are expected to increase by an average of 5.7%, or \$256,905 annually for the next five years.



In the state of Wisconsin local governments are allowed additional state shared revenue if they stay under expenditure restraints. To qualify for ERP payments, the Village must limit increases in its annual general fund expenditures to a percentage that does not exceed the sum of 60% of its net new construction factor plus an inflationary adjustment based on the Consumer Price Index. Currently, with the budget increases projected the Village would qualify for ERP payments for the planning period 2024-2029.

Budget Year	2024	2025	2026	2027	2028	2029
Payment Year	2025	2026	2027	2028	2029	2030
NNC (%)	2.37%	0.52%	0.52%	0.52%	0.52%	0.52%
Forecasted NNC Allowance [^]	1.42%	0.31%	0.31%	0.31%	0.31%	0.31%
Forecasted CPI-U Allowance	5.40%	4.00%	4.00%	4.00%	4.00%	4.00%
Maximum Allowance	6.82%	4.31%	4.31%	4.31%	4.31%	4.31%
Projected Increase	7.63%	-0.19%	3.84%	3.85%	3.87%	3.88%
Qualification*	Yes	Yes	Yes	Yes	Yes	Yes

*In 2024 the Village automatically qualifies due to Act 12 freezing qualification.

4.2.2 General Fund Revenues

To reflect the trend experienced by most local governments today, non-tax levy revenues were generally projected to remain flat at their 2024 budgeted levels. This amount includes the new County and Municipal Aid provided by Act 12 (approximately \$203,000). With no assumptions for increases in revenues, an increase in the tax levy for operating purposes would be required unless expenditures are further curtailed, additional revenues are found, or additional growth and development occurs that can help absorb future levy gaps.

Under the current law a municipality is allowed to levy the prior year’s actual levy may be increased by a percentage equal to net new construction in the preceding year (or zero, if none). This amount is labeled as base levy and should cover operating expenditures that are not tied to any levy limit exclusions. Therefore, the base levy should be examined annually for future expectations against projected operating expenditures. As mentioned, the levy limit is subject to numerous adjustments that may reduce or increase allowable levy. Currently the only levy limit adjustment applicable to the Village on an annual basis is the debt service adjustment.

Table 8 summarizes the projected annual tax levy required for operations, capital, and debt service.



Table 8 Projected General Fund Revenues and Expenditures

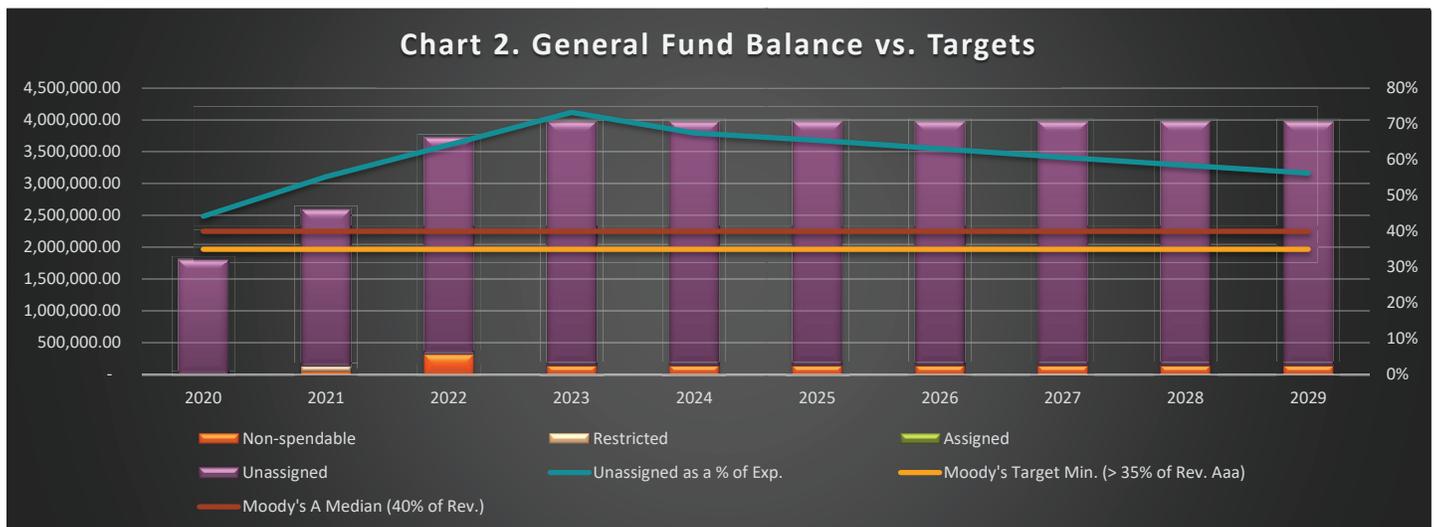
Village of Jackson, WI

	Budget	Projected				
	2024	2025	2026	2027	2028	2029
GENERAL FUND						
REVENUES						
Taxes	4,198,060	4,419,039	4,642,903	4,876,188	5,119,356	5,372,893
<i>Property Taxes</i>	3,797,960	4,018,939	4,242,803	4,476,088	4,719,256	4,972,793
<i>Other Taxes</i>	400,100	400,100	400,100	400,100	400,100	400,100
Intergovernmental Revenues	849,474	849,474	849,474	849,474	849,474	849,474
Licenses & Permits	278,150	330,834	330,834	330,834	330,834	330,834
Fines, Forfeitures & Penalties	68,250	83,336	83,336	83,336	83,336	83,336
Public Charges for Services	41,760	53,448	53,448	53,448	53,448	53,448
Interest income	25,703	11,539	11,539	11,539	11,539	11,539
Other Financing Sources	70,248	86,679	86,679	86,679	86,679	86,679
TOTAL REVENUES	5,531,645	5,834,349	6,058,213	6,291,498	6,534,666	6,788,203
EXPENDITURES						
General Government	896,753	930,833	966,429	1,003,621	1,042,491	1,083,130
Public Safety	3,086,994	3,308,389	3,447,769	3,593,251	3,745,139	3,903,757
Public Works	1,274,987	1,314,118	1,354,599	1,396,484	1,439,831	1,484,698
Culture & Recreation	256,111	264,210	272,616	281,342	290,405	299,819
Economic Development	16,800	16,800	16,800	16,800	16,800	16,800
TOTAL EXPENDITURES	5,531,645	5,834,349	6,058,213	6,291,498	6,534,666	6,788,203



4.3 Capital Finance Plan

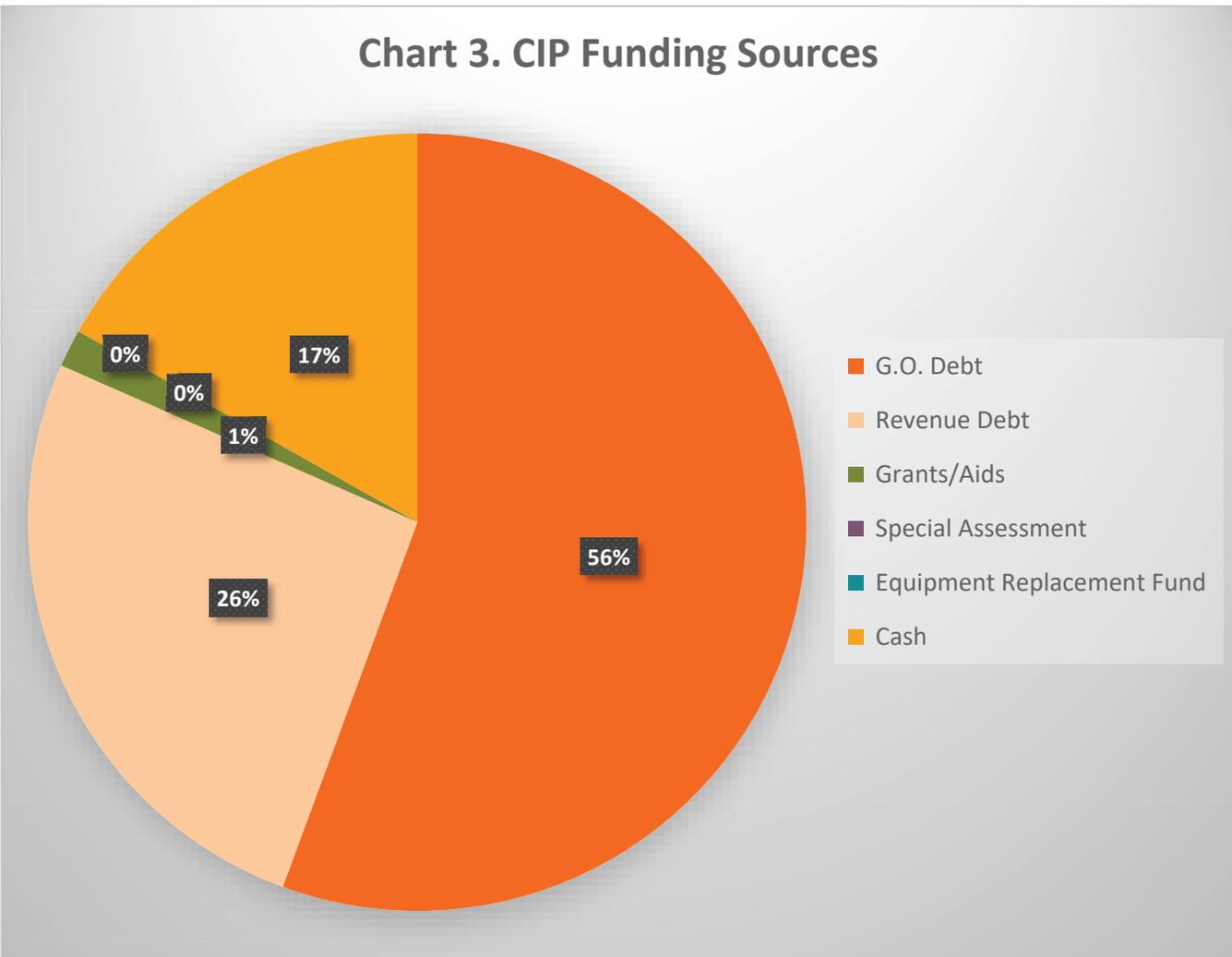
For the 2024 - 2029 planning period, the Village’s Capital Improvement Plan (CIP) identifies total project costs of \$13,509,751. **Appendix B** summarizes the projected funding sources. The various projects funding mechanisms were chosen based on their service life, project amount and ability for applicable fund to cash finance the project. Based on its current fund balance and WI A1 rated communities’ median of Undesignated Fund Balance the Village should look to establish guidelines for Target Unassigned Fund Balance. See **Chart 2** below. Other benchmarks to consider would be GFOA recommendations. GFOA recommends, at a minimum, that governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two (2) months of regular general fund operating revenues or regular general fund operating expenditures (GFOA’s Executive Board: September 2015).



The Village should evaluate the balance between reducing its fund balance for capital needs with maintaining appropriate balances. The Village could use an annual year-end appropriation to transfer funds above a targeted amount to the Capital Projects Fund. As seen in **Chart 3**, for this plan, the distribution of funding source is slightly weighted towards debt and this could be reduced with further appropriation of General Fund Surplus Reserves to the Capital Projects Fund. **Appendix B** provides a summary breakdown of these project costs by category and year. Consideration should be given to any debt issuance recommended after 2023, at the time planning to finance the projects, as other debt instruments may be more attractive to the Village at that time.



Chart 3. CIP Funding Sources



Other considerations when looking to fund projects should be the G.O. Debt Limit as discussed in Section 3.1. Although the Village has residual capacity under the debt limit, future funding pledged on a G.O. basis should look to leave capacity for emergency funding. **Table 9** below depicts the Village’s current and projected percentage of its debt limit and the residual capacity. Starting with year-end 2024, the Village is at 40% of its debt limit. Based on the projected financings the average percentage of its limit for the planning period 2024-2029 is 38% and the maximum percentage of its limit is 46%. Based on the Village’s current G.O. rating Ehlers recommends staying below 50% of its statutory limit to maintain this rating while other rating factors improve.



Table 9
General Obligation Debt Capacity Analysis - Impact of Financial Management Plan
Village of Jackson, WI

Proposed Debt											Combined Principal Existing & Proposed	Statutory Limit (5% EV)		Recommended Limit (2.5% EV)		Year Ending
2024 G.O. Bonds	2025 G.O. Bonds	2025 G.O. Notes	2026 G.O. Bonds	2027 G.O. Bonds	2028 G.O. Bonds	2029 G.O. Bonds	2029 G.O. Notes	2030 G.O. Bonds	2032 G.O. Bonds	2033 G.O. Bonds		% of Limit	Residual Capacity	% of Limit	Residual Capacity	
											\$19,860,899	34%	\$39,243,781	67%	\$9,691,441	2023
5,765,000											\$24,198,587	40%	\$36,420,092	80%	\$6,110,753	2024
5,765,000	3,025,000	880,000									\$26,644,893	43%	\$35,526,567	86%	\$4,440,837	2025
5,765,000	3,025,000	880,000	4,265,000								\$29,398,713	46%	\$34,365,304	92%	\$2,483,295	2026
5,765,000	3,025,000	880,000	4,265,000	1,550,000							\$29,428,171	45%	\$35,969,197	90%	\$3,270,513	2027
5,690,000	3,025,000	880,000	4,265,000	1,550,000	905,000						\$28,745,000	43%	\$38,327,558	86%	\$4,791,279	2028
5,480,000	2,970,000	735,000	4,265,000	1,550,000	905,000	970,000	335,000				\$27,130,000	39%	\$41,660,659	79%	\$7,265,329	2029
5,170,000	2,915,000	540,000	4,215,000	1,550,000	905,000	970,000	335,000	880,000			\$25,540,000	35%	\$46,953,950	70%	\$10,706,975	2030
4,985,000	2,860,000	385,000	4,165,000	1,500,000	860,000	970,000	335,000	880,000			\$23,955,000	32%	\$50,395,923	64%	\$13,220,461	2031
4,800,000	2,800,000	210,000	4,115,000	1,450,000	815,000	930,000	335,000	880,000	1,905,000		\$22,330,000	29%	\$53,925,463	59%	\$15,797,731	2032
4,615,000	2,740,000	140,000	4,065,000	1,400,000	770,000	890,000	295,000	880,000	1,905,000	1,085,000	\$20,805,000	27%	\$57,403,789	53%	\$18,299,394	2033
4,430,000	2,680,000	70,000	4,015,000	1,350,000	725,000	850,000	255,000	830,000	1,905,000	1,085,000	\$19,275,000	24%	\$60,937,151	48%	\$20,831,075	2034
4,180,000	2,620,000	0	3,965,000	1,300,000	680,000	810,000	205,000	780,000	1,905,000	1,085,000	\$17,665,000	21%	\$64,601,829	43%	\$23,468,415	2035
3,870,000	2,560,000		3,915,000	1,250,000	635,000	770,000	155,000	730,000	1,855,000	1,085,000	\$16,055,000	19%	\$68,319,140	38%	\$26,132,070	2036
3,560,000	2,500,000			1,200,000	590,000	730,000	105,000	680,000	1,805,000	1,040,000	\$10,570,000	12%	\$75,965,431	24%	\$32,697,715	2037
3,210,000	2,440,000			1,150,000	545,000	690,000	55,000	630,000	1,755,000	995,000	\$8,925,000	10%	\$79,827,084	20%	\$35,451,042	2038
2,810,000	2,380,000			1,100,000	495,000	650,000	0	580,000	1,705,000	950,000	\$7,235,000	8%	\$83,790,518	16%	\$38,277,759	2039
2,330,000	2,235,000			1,050,000	445,000	600,000		530,000	1,655,000	905,000	\$6,060,000	7%	\$85,723,445	13%	\$39,831,722	2040
1,775,000	1,890,000			950,000	390,000	525,000		480,000	1,530,000	860,000	\$5,005,000	5%	\$89,076,241	11%	\$42,035,620	2041
1,220,000	1,510,000			850,000	335,000	450,000		430,000	1,405,000	815,000	\$3,915,000	4%	\$92,521,562	8%	\$44,303,281	2042
640,000	1,115,000			750,000	275,000	375,000		380,000	1,265,000	770,000	\$2,780,000	3%	\$96,070,848	6%	\$46,645,424	2043
0	720,000			650,000	210,000	300,000		330,000	1,125,000	725,000	\$1,580,000	2%	\$99,745,576	3%	\$49,082,788	2044
	0			550,000	140,000	225,000		280,000	960,000	630,000	\$690,000	1%	\$103,172,259	1%	\$51,241,129	2045
				450,000	70,000	150,000		230,000	780,000	345,000	\$520,000	0%	\$105,942,447	1%	\$52,711,224	2046
				0	0	75,000		180,000	0	0	\$0	0%	\$109,127,731	0%	\$54,563,866	2047



SECTION 5 – PROJECTED PROPERTY TAX IMPACTS

The concluding exercise of the Five-Year Financial Management planning process is a projection of the tax levy, and corresponding tax rates, for all levy supported purposes. Development of the forecasts discussed in the previous sections allows for a projection of the future tax levy and corresponding tax rates needed to support Village's operations, capital, and debt service. Since 2005, the amount by which the Village is permitted to increase its tax levy has been limited by State law. The current version of State levy limits allows the Village to increase its levy over the preceding year's actual levy by a percentage equal to its prior year net new construction increase. Additionally, any amounts needed to pay General Obligation debt service authorized after July 1, 2005 is exempted from the limits.

The Village's total levy is comprised of the General Fund, Recreation Fund, Fire/EMS Fund, Capital Project Fund and the Debt Service Fund. **Table 10** includes the Village's projected tax levy and tax rate from 2024-2029.



Table 10
Levy Allocation, Tax, and Levy Limit Projection

Village of Jackson, WI

Levy Year Calendar/Budget Year	Budget	Projected				
	2023	2024	2025	2026	2027	2028
	2024	2025	2026	2027	2028	2029
Levy Need						
Amount Levied for General Fund	3,176,439	3,405,603	3,597,297	3,797,093	4,005,390	4,222,606
Amount Levied for Recreation	261,021	281,435	302,582	324,490	347,189	370,711
Amount Levied for Fire	621,521	613,336	645,506	678,995	713,867	750,187
Amount Levied for Capital	184,000	-	-	-	-	-
Amount Levied for Debt Service	1,545,217	1,949,615	2,110,154	2,306,995	2,342,311	2,341,508
Total Levy Need	5,788,198	6,249,990	6,655,539	7,107,573	7,408,757	7,685,012
Tax Rate & Sample Tax Bill						
Assessed Value (TID In) ¹	940,914,346	1,125,479,102	1,137,402,071	1,149,927,769	1,383,697,229	1,396,865,596
Incremental Value (Equalized)	92,889,400	95,901,191	39,633,163	41,347,297	43,122,836	44,961,792
Assessment Ratio ^{1,2}	80%	99%	89%	79%	99%	89%
Incremental Value (Assessed)	73,937,450	94,942,179	35,273,515	32,664,364	42,691,608	40,015,995
Assessed Value (TID Out)	866,976,896	1,030,536,922	1,102,128,556	1,117,263,404	1,341,005,622	1,356,849,601
Tax Rate	\$6.68	\$6.06	\$6.04	\$6.36	\$5.52	\$5.66
Sample Property Assessed Value	238,917	283,990	283,990	283,990	340,862	340,862
Sample Property Tax Bill	\$1,595.08	\$1,722.34	\$1,714.96	\$1,806.63	\$1,883.19	\$1,930.60
Tax Bill Change from PY (\$)	\$46.53	\$127.26	(\$7.38)	\$91.67	\$76.56	\$47.41
Tax Bill Change from PY (%)	3.00%	7.98%	-0.43%	5.35%	4.24%	2.52%
Levy Limits						
Line 8 Allow b4 Adj. (Base Levy)	4,146,423	4,278,643	4,322,694	4,568,971	4,825,484	5,092,726
Line E Adj. (Actual or Proj. Min. Debt)	1,641,775	1,949,615	2,110,154	2,306,995	2,342,311	2,341,508
Other Adj.	0	0	0	0	0	0
Total Allowable	5,788,198	6,228,258	6,432,848	6,875,966	7,167,795	7,434,234
Levy Need	5,788,198	6,249,990	6,655,539	7,107,573	7,408,757	7,685,012
Allow (Deficit)/Excess	0	(21,732)	(222,691)	(231,608)	(240,962)	(250,779)
Max Allow Line E	1,905,606	2,385,730	2,541,718	2,768,467	2,916,575	2,860,665
Line E Adj. Capacity	263,831	436,114	431,564	461,472	574,264	519,157

Notes:

- 1) Assessed Value increases assumed beyond 1/1/23 valuations at Discounted historical average of NNC. Assumed revaluation for 1/1/24 values based on discussion with the Village Assessor.
- 2) Assumes 10% ratio drop between fair market and assessed values annually beyond 1/1/24.

Since expenditures are projected to increase at a faster rate than sources of non-tax levy revenue, increases in the Village’s tax levy would be required. With the levy limitation, the Village would be allowed to increase its base levy from 2024 levels by an assumed Net New Construction (“NNC”) increase of 0.517% annually. Allowance for debt service increases as proposed would continue to be outside this levy limit per state statute. Table 8 identifies a few key results (noting the assumptions used) as follows:

- Tax Rate and Tax Bill



- When compared to Budget Year 2024, Budget Year 2025 projects a decreased tax rate but an increase to the tax bill. This is due to the expectation for a revaluation to occur for 1/1/2024 valuations. While the total Village assessable value increases based on the fair market valuation of the Residential property class many communities are seeing the individual assessments for residents rise at or near than the total Village-wide revaluation. In addition, the Village plans to issue additional debt in 2024 and would not have the required structured capacity in it’s existing debt structure. Projected debt service for 2025 compared to actual 2024 is approximately 400,000 higher. At the point of executing the 2024 financing Ehlers can present options for structuring. Finally, the 2025 budget includes additional expenditures beyond the inflationary forecasts to account for the expectation of an additional police officer.
- Budget Year 2026 projects a decrease tax rate and tax bill as a result of added TID OUT assessed value from the expected TID #4 closure. This is projected to add 59M to TID OUT assessed value.
- Levy Limits
 - Starting with Budget Year 2025 the forecast model projects annual shortfalls in allowable base levy when compared to budgeted operating expenditures net debt service. The Village will need to either
 - Overperform the 0.51% Net New Construction assumption
 - Reduce expenditures
 - Use additional debt service adjustment capacity due to abated debt. However, this should not be completed regularly or for recurring expenditures as the debt adjustment will be subtracted out in the following year’s worksheet. Therefore, if the portion for abated debt is decreased this additional debt service levy limit capacity decreases.

SECTION 6 – TIF DISTRICTS & ECONOMIC DEVELOPMENT

Updates to the cash flow projections for each Tax Incremental District (“TID”) were prepared to monitor the performance of each TID. **Appendix C** includes an update to the TID increment projections and a cash flow projection for all active TIDs of the Village. Below is a summary of the status of each TID.

6.1 TID No. 4

TID Type: Pre-1995: No Type Required

Expenditure Period Ends: September 28, 2017



Maximum Life Ends: September 28, 2025

Final Revenue Collection year: 2026

TID No. 4 is presently paying a liability to the Capital Projects Fund. Upon having adequate cash flow, the District can close. Ehlers believes this can be done with the 2024 increment collection and the Village can close the District prior to April 15, 2024 pending a review of the 2023 financials. Ehlers recommend use of the Affordable Housing Extension in order to use the last year of increment for TID #7.

6.2 TID No. 5

TID Type: Industrial

Expenditure Period Ends: May 20, 2029

Maximum Life Ends: May 20, 2034

Final Revenue Collection year: 2035

The district is tied to developer payments on a percentage basis and based on current valuations it will take the maximum life to satisfy the agreement.

6.3 TID No. 6

TID Type: Industrial

Expenditure Period Ends: November 14, 2033

Maximum Life Ends: November 14, 2038

Final Revenue Collection year: 2039

The district has outstanding debt related to the developments and eligible project costs and based on current valuations it will take the maximum life to payoff the debt.

6.4 TID No. 7

TID Type: Mixed-Use

Expenditure Period Ends: June 11, 2034

Maximum Life Ends: June 11, 2039

Final Revenue Collection year: 2040



The district is still in its early stages and has not completed all of the project costs identified in the original project plan. The future performance will be dictated by future valuations. Ehlers recommends each proposed development be analyzed on its own merit that its projected increment can pay for its required project costs.

6.5 Economic Development Initiatives

The Village should continue to promote development and redevelopment in and outside of its tax increment districts. Net new construction within the tax increment district will help support the recovery on TIF obligations, reducing any required support from the Village as well as providing the ability for the districts to close sooner. Net new construction provides for growth in the tax base and allows for increases in the Village's levy limit.

SECTION 7 - WATER AND SEWER UTILITIES

Utilities have a foundational goal of providing safe and reliable service at the most appropriate cost. This often becomes a balancing effort when making capital investment and growth decisions. Within the fundamental goal of providing reliable service lies the need for maintaining adequate reserves to cover the operating, maintenance and capital needs of a utility that provides around the clock service. Reserves for utilities generally fall within two categories: restricted and unrestricted. Restricted reserves are most commonly created in conjunction with a revenue debt obligation where the issuer is required to establish a Debt Service Reserve Fund to generally guarantee one year's principal and interest payment in the event utility revenues were not adequate to make the payment. The restricted reserve amount will be established and known within the issuing documents. Meanwhile, unrestricted reserves are determined by the utility and therefore are often monitored by external entities to measure the fiscal sustainability of the utility.

Outside of the foundational goal of utilities it is important to acknowledge their nature as an enterprise. Utilities are capital intensive in nature, meaning it costs a lot of money to produce revenue when compared to other businesses with lower asset needs. In addition, the costs to maintain the assets causes annual fluctuations in operating costs as it relates to maintenance expenses. Therefore it is imperative to analyze historical performance greater than one or two years when developing future projections for utilities. Detailed historical and future projected cash flow analyses were developed for both the water and sewer utilities as part of the Financial Management Plan. The Capital Improvement Plan was examined for both



utilities and a funding plan developed based on maintaining fiscal sustainability.

Appendix D is the Water and Sewer Utility Analysis for the Financial Management Plan.

7.1 Water Utility

Section 1 of Appendix D outlines the 5-year (2019-2023) historical performance of the water utility. To understand whether rates have been sufficient it is important to analysis their ability to recover costs of operating the system under the two generally accepted methodologies. Under the cash-based method, revenue adequacy is measured for each year using several components. These components include: operation and maintenance expenses, debt service, and cash funded capital. Cash funded capital should include cash or surplus funded capital in each year and can include an adder for debt coverage as a measure to say the utility's rates should be greater than a dollar-for-dollar recovery of solely operating and debt expenses. Under the utility-based method, revenue adequacy is measured for each year using several components. These components include: operation and maintenance expenses, depreciation, and a benchmark return on rate base set by the Wisconsin Public Service Commission ("PSC"). Rate base or Net Investment Rate Base ("NIRB") is defined as the undepreciated value of the system. The PSC sets the benchmark rate of return for all utilities during the year based on a 3-month rolling average of AAA rated 30-year municipal bond yields plus two percent. The components of each individual methodology added together less other revenues not generated through user rates serve as the requirement that should be recovered in the user rates. Since the water utility is regulated by the PSC, the utility should continually track the Utility-based method as that is how the PSC will calculate rates when the utility applies for a rate adjustment. **Table 11** below identifies the current utility rate performance of the water utility.



Table 11
Water Rate Performance

Village of Jackson, WI

Revenue Requirement		Shown with no increase				Est	Budget
Component	Description	2019	2020	2021	2022	2023	2024
Cash Basis							
1	Operating and Maintenance	\$1,182,621	\$1,263,135	\$1,048,620	\$982,572	\$1,328,863	\$1,458,544
2	Debt	\$0	\$0	\$0	\$0	\$0	\$285,934
3	Cash Funded Capital ^A	\$292,872	\$856,655	\$449,956	\$72,293	\$0	\$176,984
Less:							
	Other Revenue	\$93,984	\$419,229	\$275,594	\$70,448	\$50,447	\$65,682
	Interest Income	\$6,656	\$733	\$104	\$2,831	\$28,753	\$1,000
	Revenue Requirement (Costs less Other Income)	\$1,374,853	\$1,699,828	\$1,222,878	\$981,586	\$1,249,663	\$1,854,780
	User Rates Revenue	\$1,279,670	\$1,343,231	\$1,351,629	\$1,344,130	\$1,429,536	\$1,677,800
	Rate Adequacy	(\$95,183)	(\$356,597)	\$128,751	\$362,544	\$179,873	(\$176,980)
	Rate Adjustment Needed	7.44%	26.55%	0.00%	0.00%	0.00%	10.55%
Utility Basis (PSC)							
1	Operating and Maintenance	\$1,182,621	\$1,263,135	\$1,048,620	\$982,572	\$1,328,863	\$1,458,544
2	Depreciation	\$210,095	\$212,919	\$218,085	\$227,420	\$257,673	\$319,484
	NIRB	\$5,848,127	\$5,806,518	\$5,955,125	\$6,084,596	\$6,829,964	\$7,798,032
	PSC Benchmark ROR (%)	5.70%	4.90%	4.90%	4.90%	6.50%	6.50%
3	PSC Benchmark ROR (\$)	\$333,343	\$284,519	\$291,801	\$298,145	\$443,948	\$506,872
Less:							
	Other Revenue	\$93,984	\$419,229	\$275,594	\$70,448	\$50,447	\$65,682
	Interest Income	\$6,656	\$733	\$104	\$2,831	\$28,753	\$1,000
	Revenue Requirement (Costs less Other Income)	\$1,625,419	\$1,340,611	\$1,282,808	\$1,434,858	\$1,951,283	\$2,218,218
	User Rates Revenue	\$1,279,670	\$1,343,231	\$1,351,629	\$1,344,130	\$1,429,536	\$1,677,800
	Rate Adequacy	(\$345,749)	\$2,620	\$68,821	(\$90,728)	(\$521,747)	(\$540,418)
	Rate Adjustment Needed	27.02%	0.00%	0.00%	6.75%	36.50%	32.21%

Notes:

^AIncludes capital not paid with other revenue than reserves and debt coverage adder.

On average, operating and maintenance expenses have increased 4.7% since 2019. In addition, the utility has increased its rate base by about 10% since its last Conventional Rate Case (“CRC”) with the PSC. The water utility’s last rate adjustment completed through a Conventional Rate Case (“CRC”) with the Wisconsin Public Service Commission (“PSC”) was implemented on October 10, 2010. The water utility’s last rate adjustment completed through a Simplified Rate Case (“SRC”) with the (“PSC”) was implemented on October 1, 2023.

Appendix D outlines future financial projections for the water utility. Due to the water utility’s cash position, projected capital improvements, and the sewer utility future rate adjustment plans, Ehlers recommended several Simplified Rate Cases (“SRC”) are projected initially with a future CRC within the planning period as seen in **Table 12** below.



Table 12
Water Utility Cash Flow Analysis - Projected 2024-2033

Village of Jackson, WI

	Budget		Projected							
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Revenues										
Total Revenues from User Rates ¹	\$1,694,997	\$1,759,689	\$1,852,957	\$1,908,546	\$2,275,409	\$2,275,409	\$2,275,409	\$2,275,409	\$2,275,409	\$2,275,409
Percent Increase to User Rates	4.10%	3.00%	3.00%	3.00%	19.22%	0.00%	0.00%	0.00%	0.00%	0.00%
Cumulative Percent Rate Increase	4.10%	7.22%	10.44%	13.75%	35.62%	35.62%	35.62%	35.62%	35.62%	35.62%
Dollar Amount Increase to Revenues		\$64,692	\$93,268	\$55,589	\$366,863	\$0	\$0	\$0	\$0	\$0
Total Other Revenues	\$66,682	\$67,341	\$101,012	\$107,515	\$112,235	\$135,187	\$140,629	\$144,440	\$149,507	\$151,191
Total Revenues	\$1,761,679	\$1,827,031	\$1,953,969	\$2,016,061	\$2,387,644	\$2,410,596	\$2,416,037	\$2,419,849	\$2,424,915	\$2,426,600
Less: Expenses										
Operating and Maintenance ²	\$1,198,544	\$1,234,320	\$1,271,166	\$1,309,114	\$1,348,197	\$1,388,448	\$1,429,902	\$1,472,597	\$1,516,568	\$1,561,854
PILOT Payment	\$260,000	\$265,200	\$270,504	\$275,914	\$281,432	\$287,061	\$292,802	\$298,658	\$304,631	\$310,724
Net Before Debt Service and Capital Expenditures	\$303,135	\$327,510	\$412,299	\$431,033	\$758,015	\$735,087	\$693,333	\$648,594	\$603,716	\$554,022
Debt Service										
Existing Debt P&I	\$285,934	\$241,825	\$235,075	\$228,325	\$221,575	\$209,950	\$203,450	\$196,950	\$190,450	\$184,600
New (2024-2033) Debt Service P&I	\$0	\$0	\$14,054	\$62,920	\$83,608	\$152,008	\$157,663	\$162,723	\$147,743	\$143,003
Total Debt Service	\$285,934	\$241,825	\$249,129	\$291,245	\$305,183	\$361,958	\$361,113	\$359,673	\$338,193	\$327,603
Transfer In (Out)/Cap. Contrib.	\$28,380	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Less: Capital Improvements	\$105,500	\$0	\$573,732	\$25,000	\$565,566	\$234,750	\$248,400	\$187,000	\$277,250	\$330,000
Debt Proceeds	\$0	\$0	\$585,000	\$0	\$835,000	\$0	\$0	\$0	\$0	\$0
Net Annual Cash Flow	(\$59,919)	\$105,685	\$194,438	\$134,788	\$742,266	\$158,380	\$103,820	\$121,922	\$8,273	(\$83,581)
Restricted and Unrestricted Cash Balance:										
Balance at first of year	\$1,087,892	\$1,027,973	\$1,133,658	\$1,328,096	\$1,462,884	\$2,205,150	\$2,363,529	\$2,467,349	\$2,589,271	\$2,597,545
Net Annual Cash Flow Addition/(subtraction)	-\$59,919	\$105,685	\$194,438	\$134,788	\$742,266	\$158,380	\$103,820	\$121,922	\$8,273	-\$83,581
Balance at end of year	\$1,027,973	\$1,133,658	\$1,328,096	\$1,462,884	\$2,205,150	\$2,363,529	\$2,467,349	\$2,589,271	\$2,597,545	\$2,513,964
"All-in" Debt Coverage	1.06	1.35	1.65	1.48	2.48	2.03	1.92	1.80	1.79	1.69
PSC Days Cash on Hand	100	125	164	184	352	367	377	391	379	347

Notes:

- 1) Assumes no changes in customer count or usage beyond Test Year.
- 2) Assumes 3.00% annual inflation beyond budget year.

Legend:

- Simplified Rate Case (if eligible)
- Conventional (Full) Rate Case



The SRCs will help to maintain revenues at a level matching inflationary operating expense assumption. Qualification for an SRC should be analyzed annually. To qualify for a simplified user rate, increase the utility must file the PSC Annual Report for the year prior and have a rate of return for the utility that is below the PSC's benchmark level and either be at that level or below the benchmark after the simplified rate increase takes effect. The utility's cash position above industry benchmarks provides fiscal sustainability before the projected CRC in 2028. If the utility were to realize different capital needs, we generally recommend Conventional Rate Cases every 5-10 years to ensure rates match system conditions including assets in service, customer counts, and usage changes.

7.2 Sewer Utility

Section 1 of the Sewer Utility portion of [Appendix D](#) outlines the 5-year (2019-2023) historical performance of the sewer utility. Operating and maintenance expenses have increased 5.4% since 2019. The sewer utility's last rate increase was effective in 2023 and resulted in 8% increase to the general service rates. Historical sewer rate performance is measured under the same methodologies as the water utility but is not regulated by the PSC.



Table 13
Sewer Rate Performance

Village of Jackson, WI

		Shown with no increase				Est	Budget
Revenue Requirement							
Component	Description	2019	2020	2021	2022	2023	2024
Cash Basis							
1	Operating and Maintenance	\$1,096,376	\$1,175,464	\$1,103,644	\$1,416,224	\$1,305,727	\$1,481,083
2	Debt	\$0	\$0	\$0	\$0	\$0	\$318,929
3	Cash Funded Capital	\$5,124	\$574,136	\$206,041	\$225,844	\$0	\$2,685,232
Less:							
	Other Revenue	\$385,470	\$603,020	\$473,539	\$104,499	\$123,332	\$122,730
	Interest Income	\$59,155	\$15,024	\$1,951	\$58,598	\$123,330	\$50,000
	Revenue Requirement (Costs less Other Income)	\$656,875	\$1,131,556	\$834,195	\$1,478,971	\$1,059,066	\$4,312,514
	User Rates Revenue	\$1,878,691	\$1,877,763	\$1,866,881	\$1,881,312	\$1,908,654	\$1,963,141
	Rate Adequacy	\$1,221,816	\$746,207	\$1,032,686	\$402,341	\$849,589	(\$2,349,373)
Utility Basis							
1	Operating and Maintenance	\$1,096,376	\$1,175,464	\$1,103,644	\$1,416,224	\$1,305,727	\$1,481,083
2	Depreciation	\$817,502	\$824,182	\$826,648	\$837,182	\$867,435	\$1,003,818
	NIRB	\$13,390,694	\$12,856,142	\$12,419,582	\$11,804,342	\$12,266,164	\$15,550,432
3	Recommended ROI (2%)	\$267,814	\$257,123	\$248,392	\$236,087	\$245,323	\$311,009
Less:							
	Other Revenue	\$385,470	\$603,020	\$473,539	\$104,499	\$123,332	\$122,730
	Interest Income	\$59,155	\$15,024	\$1,951	\$58,598	\$123,330	\$50,000
	Revenue Requirement (Costs less Other Income)	\$1,737,067	\$1,638,725	\$1,703,194	\$2,326,396	\$2,171,824	\$2,623,179
	User Rates Revenue	\$1,878,691	\$1,877,763	\$1,866,881	\$1,881,312	\$1,908,654	\$1,963,141
	Rate Adequacy	\$141,624	\$239,038	\$163,687	(\$445,084)	(\$263,170)	(\$660,038)

Notes:

^Includes capital not paid with other revenue than reserves and debt coverage adder.

Historically the Sewer Utility rates are performing on both basis. However the Sewer Utility will be undertaking improvements to its treatment plant that will require a series of rate adjustments in order to fund the proposed debt service. Section 2 of the Sewer Utility portion of **Appendix D** outlines future financial projections for the sewer utility. Due to cash balances as seen in **Table 14** below, we recommend a mix of cash and debt financing for sewer related CIP items. Future rate adjustments shown are intended to fund all current and projected financial obligations.



Table 14
Sewer Utility Cash Flow Analysis - Projected 2024-2033
Village of Jackson, WI

	Budget	Projected								
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Revenues										
Total Revenues from User Rates ¹	\$2,215,994	\$2,501,414	\$3,114,260	\$3,877,254	\$4,226,206	\$4,606,565	\$4,744,762	\$4,744,762	\$4,744,762	\$4,744,762
Percent Increase to User Rates	12.88%	12.88%	24.50%	24.50%	9.00%	9.00%	3.00%	0.00%	0.00%	0.00%
Cumulative Percent Rate Increase	12.88%	27.42%	58.64%	97.50%	115.28%	134.65%	141.69%	141.69%	141.69%	141.69%
Dollar Amount Increase to Revenues		\$285,420	\$612,846	\$762,994	\$348,953	\$380,359	\$138,197	\$0	\$0	\$0
Other Revenues										
Interest Income	\$50,000	\$50,125	\$11,666	\$9,751	\$11,021	\$9,577	\$11,950	\$14,698	\$17,486	\$19,816
Other Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Other Revenues	\$50,000	\$50,125	\$11,666	\$9,751	\$11,021	\$9,577	\$11,950	\$14,698	\$17,486	\$19,816
Total Revenues	\$2,265,994	\$2,551,539	\$3,125,926	\$3,887,005	\$4,237,228	\$4,616,142	\$4,756,711	\$4,759,460	\$4,762,248	\$4,764,578
Less: Expenses										
Operating and Maintenance	\$1,481,083	\$1,518,110	\$1,556,063	\$1,594,964	\$1,634,838	\$1,675,709	\$1,717,602	\$1,760,542	\$1,804,556	\$1,849,669
Net Before Debt Service and Capital Expenditures	\$784,911	\$1,033,429	\$1,569,863	\$2,292,040	\$2,602,389	\$2,940,433	\$3,039,109	\$2,998,918	\$2,957,693	\$2,914,909
Debt Service										
Existing Debt P&I	\$285,934	\$241,825	\$235,075	\$228,325	\$221,575	\$209,950	\$203,450	\$196,950	\$190,450	\$184,600
New (2024-2033) Debt Service P&I	\$32,995	\$228,546	\$383,629	\$1,160,557	\$1,249,733	\$1,646,715	\$1,651,088	\$1,654,842	\$1,657,969	\$1,660,456
Total Debt Service	\$318,929	\$470,371	\$618,704	\$1,388,882	\$1,471,308	\$1,856,665	\$1,854,538	\$1,851,792	\$1,848,419	\$1,845,056
Transfer In (Out)	\$122,730	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Less: Capital Improvements	\$6,131,500	\$0	\$14,951,938	\$495,000	\$8,204,134	\$234,750	\$185,000	\$132,000	\$277,250	\$330,000
Debt Issued/Grants/Aid	\$3,526,000	\$0	\$13,134,800	\$0	\$6,395,300	\$0	\$0	\$0	\$0	\$0
Net Annual Cash Flow	(\$2,016,788)	\$663,057	(\$765,979)	\$508,158	(\$577,752)	\$949,017	\$1,099,572	\$1,115,126	\$932,024	\$839,852
Restricted and Unrestricted Cash Balance:										
Balance at first of year	\$6,020,112	\$4,003,323	\$4,666,381	\$3,900,402	\$4,408,560	\$3,830,808	\$4,779,825	\$5,879,397	\$6,994,523	\$7,926,547
Net Annual Cash Flow Addition/(subtraction)	(\$2,016,788)	\$663,057	(\$765,979)	\$508,158	(\$577,752)	\$949,017	\$1,099,572	\$1,115,126	\$932,024	\$839,852
Balance at end of year	\$4,003,323	\$4,666,381	\$3,900,402	\$4,408,560	\$3,830,808	\$4,779,825	\$5,879,397	\$6,994,523	\$7,926,547	\$8,766,399
"All-in" Debt Coverage	2.85	2.41	2.70	1.72	1.84	1.64	1.69	1.67	1.65	1.63
Reserves above Rec. Benchmark	2,196,111	2,599,657	856,583	1,205,761	119,780	1,045,929	2,123,670	3,216,813	4,124,170	4,949,891

Notes:

- 1) Assumes no changes in customer count or usage beyond Test Year.
- 2) Assumes 2.50% annual inflation beyond budget year.

Legend:

- Increase depicted to maintain with assumed O&M inflation
- Increase needed above inflationary adjustment



SECTION 8 – GENERAL CONCLUSIONS & OBSERVATIONS

The following is a summary of key conclusions and observations developed because of the modeling and workshop process and the development of the Financial Management Plan:

- The current favorable indicators under this five-year plan for the Village are
 - Qualification for statutorily defined levy limits and expenditure restraint while meeting all of the objectives for projected expenditures
 - an Unassigned General Fund balance above Moody’s A1 Medians (40% of operating revenues) and GFOA target of 2 months revenues;
 - a prioritized Capital Fund balance which promotes strategic capital improvement planning;
 - strong management due to the Board’s quarterly review of financials and annual Financial Management Plan preparation; and
 - conservative budgeting practices.
- The primary challenges going forward will be:
 - finding the appropriate balance between a desire to keep taxes manageable as shown in Table 10, and the necessity to replace aging infrastructure that has reached the end of its useful life, and improvements intended to enhance quality of life in the community;
 - Levy limits, in their present form, are not expected to be a constraining factor for the Village. Due to the way debt service adjustments are made on the current levy limit worksheet, the Village’s projected tax levy will be below the amounts that it could levy under the limits. Future levy limits could become a constraining factor for the Village, particularly if the current adjustments allowed for debt service were to be eliminated. Continued growth to improve levy limit qualification without using abated debt; and
 - Given current and potential national economic conditions it is hard to project the likelihood of continued economic development and property evaluation.



Closure of TIDs will have a positive impact on the Village’s financial position. These closures increase the Village’s tax base. This additional tax base will allow the Village to increase its tax levy, reduce its tax rate, or likely some combination of both (levy limit legislation, if still in effect, may restrict or limit the Village’s options in this regard). A larger tax base will also reduce the tax rate impact of future capital financing needs.

SECTION 9 - RECOMMENDATIONS

To capitalize on its investment in this planning process, the Village should undertake the following actions as extensions of this plan:

- Update its CIP annually so it maintains a planning horizon, and accurately reflects planned projects and associated costs. Maintaining a current CIP also allows this information to be integrated into current year financing plans so that the impact of probable future borrowings can be assessed in addition to the notes or bonds currently proposed for issuance. Through the development of this plan, the Village should consider financing projects within the amount of debt issues being no greater than the amount of levy supported principal debt retiring annually. Additional consideration should be given to the G.O. Debt limit as discussed in Section 4.3.
- Review status of financial indicators in conjunction with future debt financings. As new debt issues are considered, their impact should be evaluated.
- Consider annual updates to this Five-Year Financial Management Plan. Changes in economic conditions, local priorities, state legislation and other variables require that the models be updated periodically if they are to remain a viable planning tool. The chart below reflects the upcoming fiscal planning cycle.

