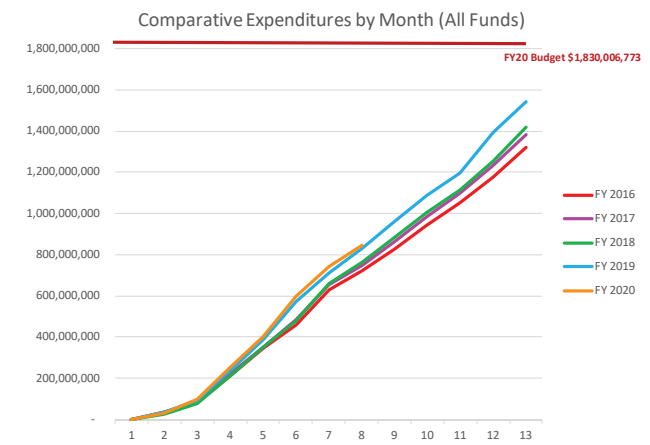
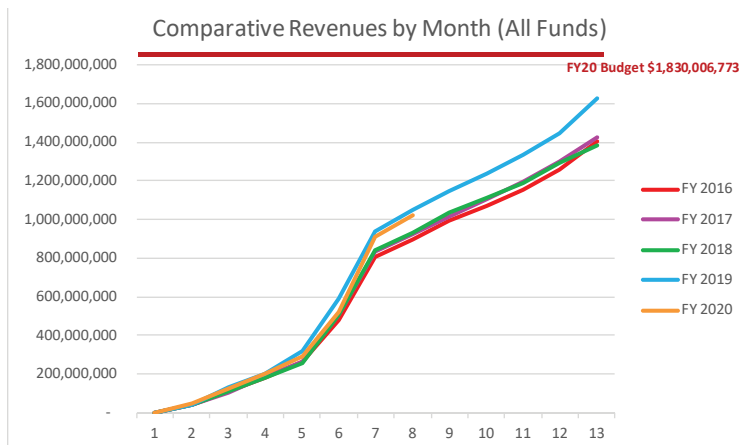
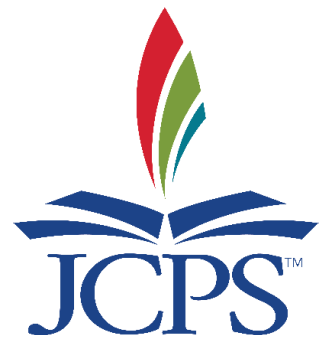


## Notes of Interest

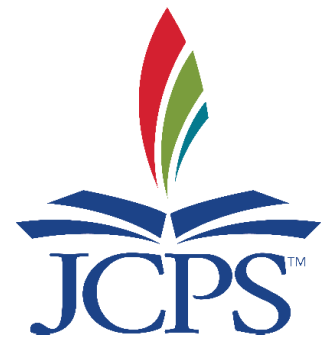
### January Financial Report



**Cash Flows and Property Taxes:** Property taxes are such a large portion of the District's annual revenues, that 50% of all revenues will occur between November and January, the highest collection months for property taxes.

#### Items of Note:

- Property taxes, our largest revenue source each year, show a 3.6% gain over January of the previous year.
- Other taxes have increased from previous years as Churchill Downs has been reassessed by the Property Valuation Assessor and began paying on a Payment in Lieu of Taxes contract. These contracts hold JCPS harmless when the Commonwealth, Metro Louisville, or another city within Jefferson County agrees to an incentive with a business for the purpose of bringing jobs into the county. This Churchill Downs payment was almost \$1 million.
- SEEK state revenues continue to decrease as a result of the state funding formula, which continues to decrease the amount sent to JCPS as our assessments increase.
- Interest is down significantly from the previous year. Some of this difference is due to different investment selections purchased in the 2018-2019 school year. As the Federal Reserve has lowered interest rates, many of the investments purchased last year are not available in the current year at rates that justify the reduced liquidity. See the coronavirus section for additional discussion.
- Construction Fund fund balance varies depending on when bonds are sold to finance major construction and renovation projects. We sold a bond in October 2018, which is why other sources of revenues was significantly higher during the 2018-2019 year.
- Daycare operations revenues and expenses are decreasing as enrollment at the Georgia Chaffee Teenage Parent Program has decreased. This decrease is the continuation of a trend extending numerous years.



## Notes of Interest

### January Financial Report

#### Financial impact of Coronavirus (COVID-19)

The world has been shocked by the sudden arrival of the novel coronavirus called COVID-19. Although the nightly news portrays potentially ominous risks, we do not know if or when the virus may affect JCPS students or staff directly. We can review the effect it may have on our economy-driven revenue sources, especially occupational taxes, real estate taxes, and interest income.

Occupational taxes are an employment tax for Jefferson County residents working in Jefferson County. Although these revenues emphasize the local economy rather than the world economy, many Jefferson County businesses and employers reflect an international focus, with major employers represented in manufacturing, beverages, logistics, hospitality, health care, and the integrated world of separate parts and assembly plants. As these businesses experience the ups and downs of the world economy, their employment will reflect these international market forces. This revenue source decreased slightly for two consecutive years after the 2008 crash, decreasing 1.5% and 2.3% before rebounding above pre-crash levels.

Real estate taxes tend to lag behind recessions and decrease less than the market drops. After the 2008 crash, real estate assessments stagnated for two years with only one year showing a decrease and that decrease was only 0.03%.

Cash holdings earn interest income which is directly tied to the Federal Reserve Board of Governors fed funds rate. JCPS also maintains a portfolio of federal government securities that mature up to five years from now. These longer-term securities are affected by the Federal Reserve and market expectations, such as the future economy, consumer confidence, etc. The world economic turmoil will reduce our interest income below anticipated levels during the 2019-2020 year as potential investments have decreased rates of return and since the Federal Reserve lowered interest rates in an unscheduled meeting on March 3, 2020. Interest rates tied to the fed funds rate swing drastically, from \$13.0 million in 2007 to \$1.4 million in 2015.

We will need to see if the novel coronavirus COVID-19 has a long-term personal effect on our community and JCPS finances. As you can see from the chart, world epidemics have mixed effects on global stock market performance. It's certain that each of these tragedies was unique, and we will be tracking this outbreak closely.

#### Immune: world epidemics and global stock market performance

