



Village of Sussex

Annual Report to the Citizens

For the year ending December 31, 2014

Introduction

One of the Village Board's goals is to improve communication with the public. Towards that goal, this report has been created to summarize the past year's results in an easily understandable manner. The financial information presented is taken from the annual audit report which is available in its entirety online at www.villagesussex.org (Finance Department Page). This report's focus is on the funds of interest to most citizens, and does not include all functions of the Village's operations. The funds included are as follows:

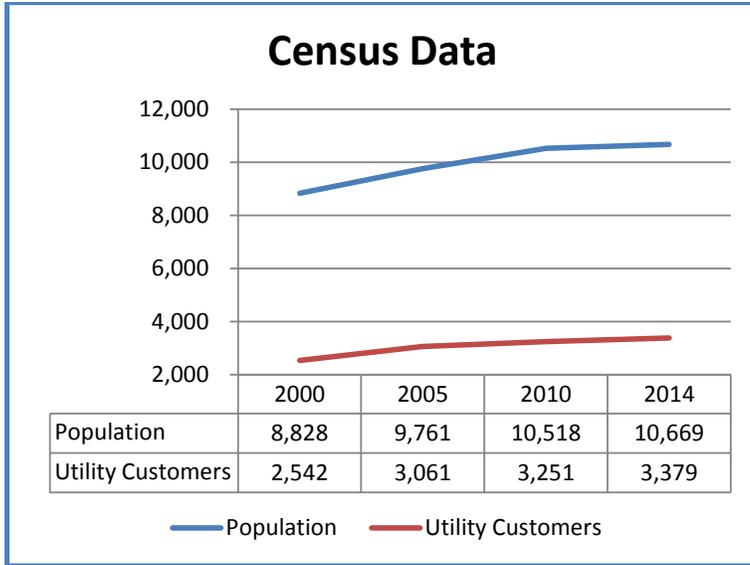
- **Funds that Use Property Tax Revenues**
- **General Fund** – includes general government (administration, clerk, election, and finance), police, fire, inspection, public works, parks, recreation, health and sanitation (garbage and recycling), planning, and library.
- **Debt Service Funds** – used for external debt issuance and repayment.
- **Tax Increment Financing District (TIF)** – fund established to encourage development by providing assistance to the developer.
- **Enterprise Funds** that use Service Fees and Operate Like Private Businesses
- **Water Utility** – supplies safe drinking water to residents and businesses.
- **Wastewater (Sewer) Utility** – treats all wastewater generated in Sussex as well as serving parts of the Town of Lisbon/Lisbon Sanitary District, Lannon, and Menomonee Falls.
- **Stormwater Utility** – carries out the Village's Stormwater Management Plan and addresses the requirements of the Village's NR 216 permit.

If you have any questions or comments on how to improve this report, or requests for additional information, please contact the Village's Finance Department by email to nwhalen@villagesussex.org; by phone (262) 246-5225; or by mail N64W23760 Main Street, Sussex, WI 53089.



Who We Are

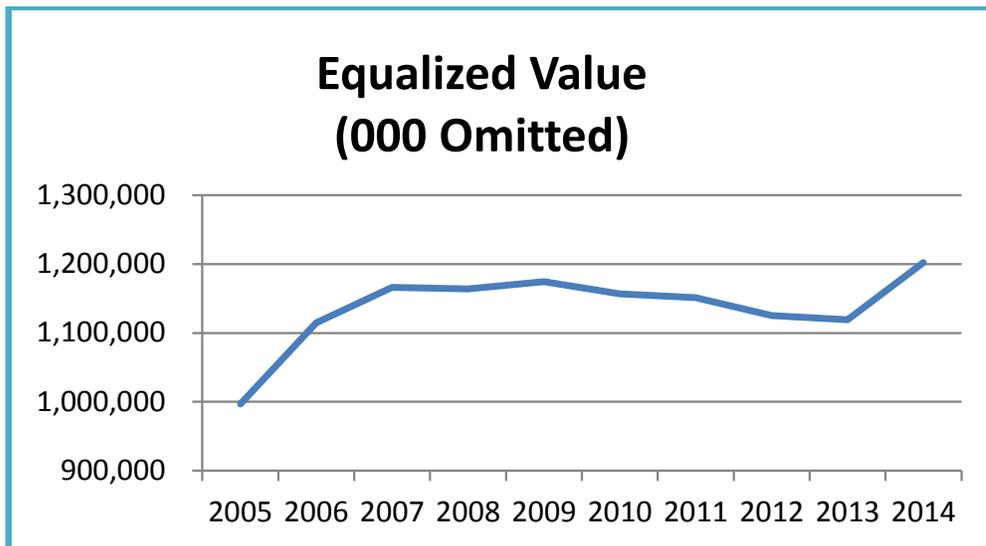
The Village of Sussex is a full-service, mid-size village providing services that include fire and police protection; thoughtful development and economic growth; maintenance of the Village’s infrastructure (roads, sidewalks, water and sewer mains); quality of life options such as parks, recreation, senior services, the library; and municipal-owned utilities.



During the period shown, the population has increased 21% and the average number of utility customers has increased 33%

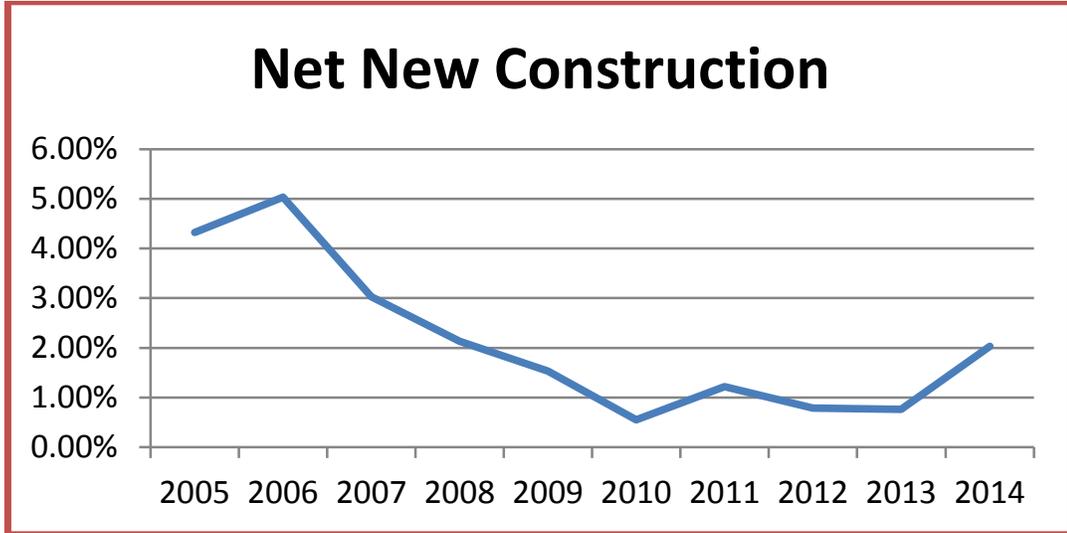
Development plans are in process for two new residential subdivisions. These will be located along Maple Avenue south of the Community Center and to the south of Woodside School.

One of the primary statistics used to determine the size of a municipality is the dollar value of the property within the municipality’s borders. The Village contracts with Accurate Appraisals who place an assessed value on each parcel; however, this method is not comparable from one municipality to the next. To make the values comparable, the Wisconsin Department of Revenue converts the assessed values to a uniform level through equalization. The converted amounts are called equalized values or “estimated fair market values” and are a better source when comparing values across different municipalities.



The Village has seen almost 21% of growth in equalized value over the past 10 years, as shown above.

Another statistic that indicates growth from one year to the next is “net new construction.” This is the change in our equalized value due to new growth less demolished property. This percentage is one of the primary factors in our levy limit calculations. It indicates the percentage that the tax levy can increase from one year to the next (excluding certain debt service costs).



For more information about assessed and equalized values, see the publication “Guide for Property Owners,” available on the Department of Revenue website <https://www.revenue.wi.gov/pubs/slf/pb060.pdf>



Many businesses call the Village of Sussex home and provide employment opportunities for our residents. Several of these businesses are also among the largest taxpayers in the Village. The following charts provide information about both.

MAJOR EMPLOYERS

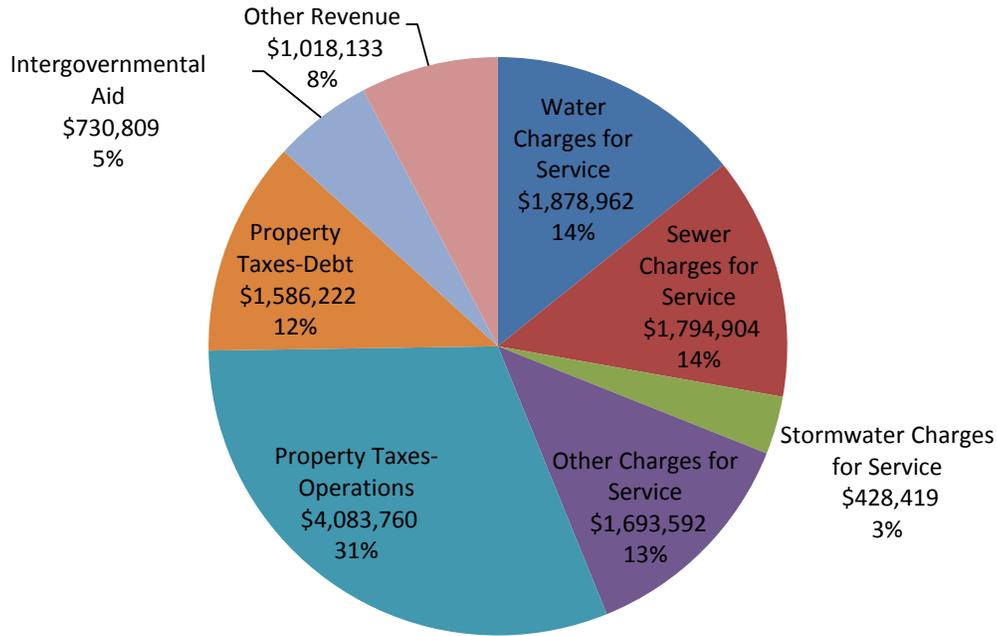
Employer	Business Services	Employees
Quad/Graphics, Inc.	Printer	2,100
Quad/Tech, Inc.	Manufacturer printer equipment	360
Beer Capital Distributing	Distributor	338
Sussex IM	Package cosmetic products	232
Hamilton School District	Elementary & secondary education	145
Sharp Packaging	Plastic products	114
Quad/Med	Healthcare	95
Color Ink, Inc.	Sheet commercial printer	92
Waukesha Tool and Stamping	Metal stamping	88
Power Test Inc.	Manufacturer of testing equipment	77
Tools, Inc.	Manufacturer of special dies and tools	75
LaCrosse Litho Supply	Graphic arts distributor	40

LARGEST TAXPAYERS

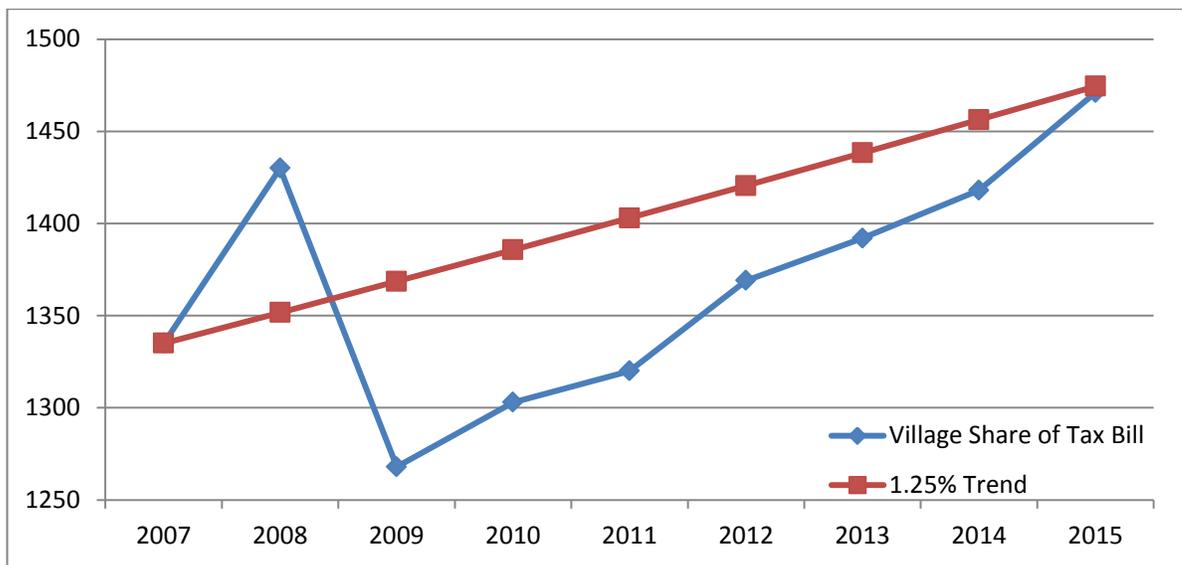
Taxpayer	2014 Assessed Value	Percent of Total Assessed Valuation
Quad/Graphics, Inc.	\$52,195,400	4.49%
Beer Capital Distributing	\$14,337,200	1.23%
Seasons Apartments	\$13,047,100	1.12%
Maple Creek/Grove Apts	\$10,194,200	0.88%
Menlo Realty Income Properties	\$9,932,400	0.85%
McAdams Realty	\$9,684,200	0.83%
Nature's Path	\$8,286,500	0.71%
Clover Ridge Apartments	\$6,666,000	0.57%
Kohl's Department Store	\$6,395,400	0.55%
WIS II LLC	\$6,042,600	0.52%
Top 10 TOTAL	\$136,781,000	11.77%
TOTAL ASSESSED VALUE FOR 2014	\$1,162,148,630	

Where the Money Comes From

Most of the money the Village receives is from two sources: **property tax levy** and **utility charges** to customers. Following is a graph of the revenues by source (excluding transfers between funds).

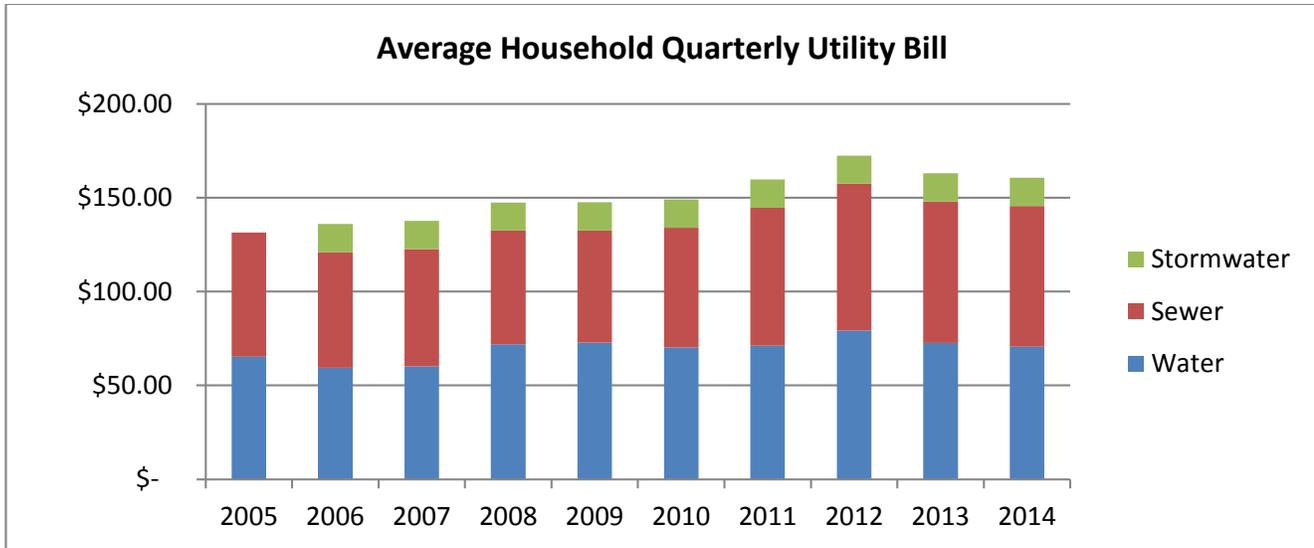


When comparing residential taxes from year to year, \$300,000 is the average home value used. With changes in the economy, that home value fluctuates from year to year based on annual reassessments. Over the past nine years, the Village share of the property taxes on this average home value is as follows:

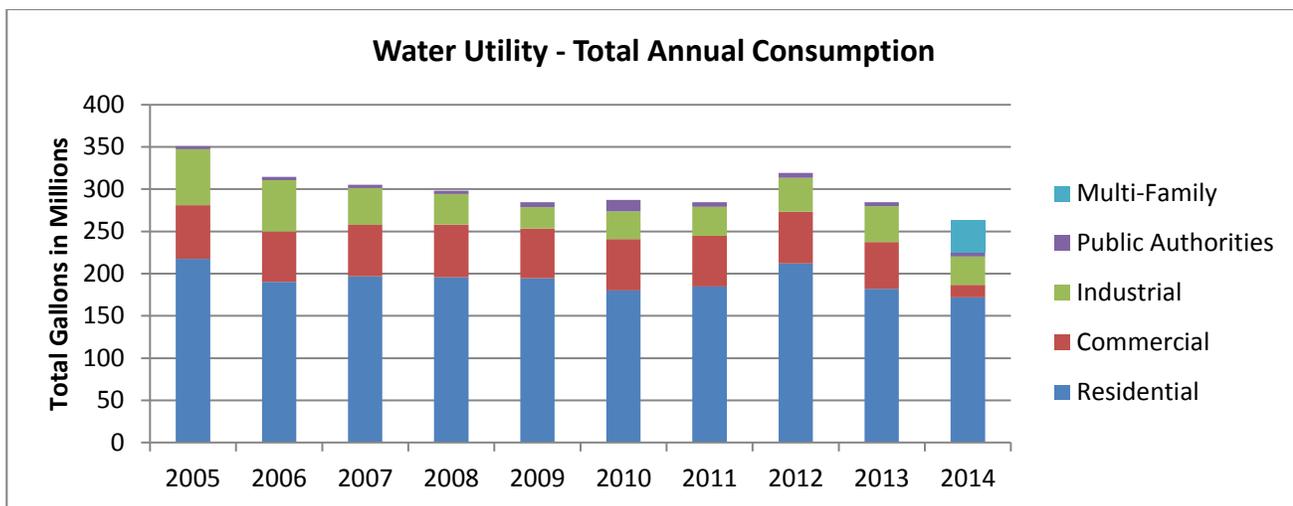


The dramatic drop from 2008 to 2009 was the closure of TIF #5 when the property value was added back to the general tax roll.

Utility charges are collected for all three of the Village-owned utilities (Water, Sewer and Stormwater) and are primarily based on the water meter size and individual usage for water and sewer. Stormwater charges are based on the number of ERUs (Equivalent Runoff Units) with a single-family residence being charged one ERU.

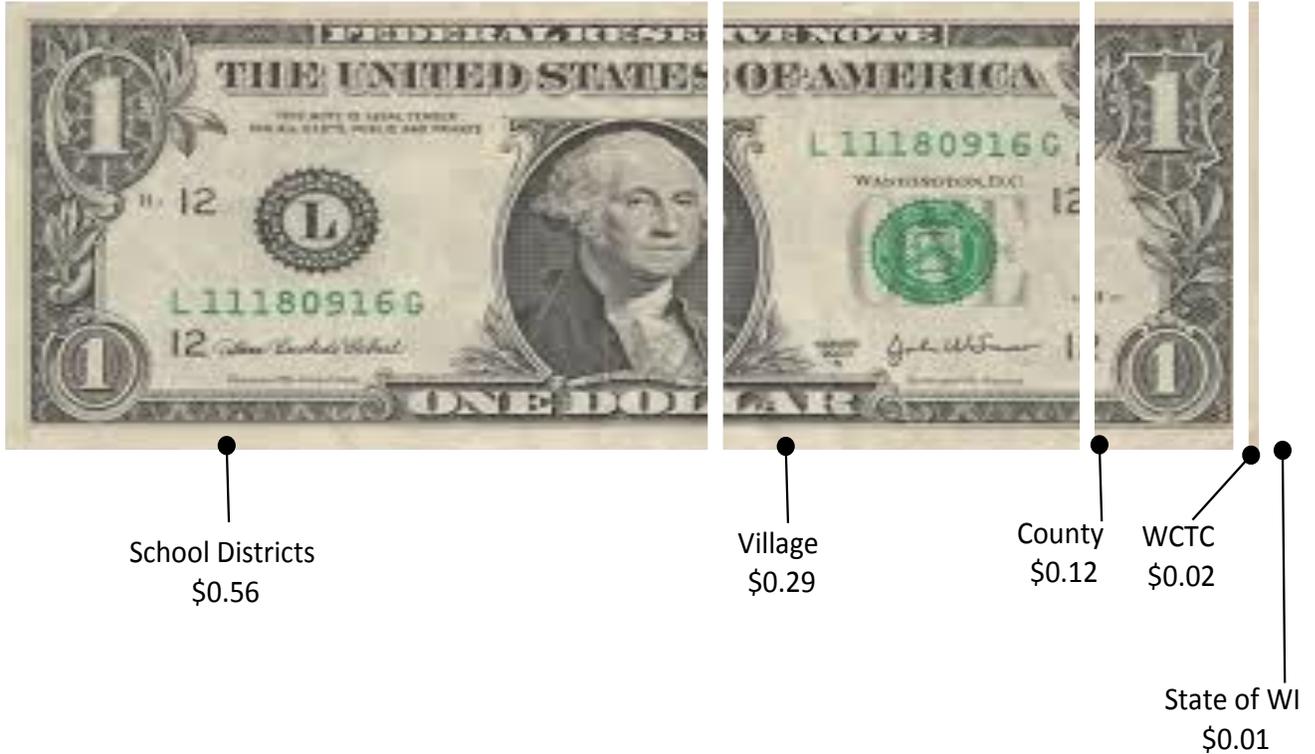


Water usage is measured in gallons and the sewer usage is based on the number of gallons of water used. There are currently five categories of utility customers: residential, commercial, industrial, public and multi-family residential. The multi-family category was new in 2014. Most customers in this category came from the commercial category. Despite an increase in utility customers each year, the total gallons sold have not increased as industrial customers are implementing new processes that conserve water.



The gallons sold for sewer service are similar to the water gallons sold.

The Village collects property taxes for several taxing jurisdictions including the State, County, School Districts, and Technical College.



For every dollar collected from taxpayers, \$0.29 is for Village government purposes.

Information about the taxing entities can be found at:

Village of Sussex

www.villagesussex.org/vertical/sites/%7B1FD3B636-3BF9-4496-900E-EAA7FFADF5E8%7D/uploads/Combined.pdf

Hamilton School District

www.hamilton.k12.wi.us/images/stories/www/factsandfigures/AnnualReport.pdf

Arrowhead School District

[www.arrowheadschoools.org/cms_files/resources/2014-15%20Budget%20Summary%20\(comp%20by%20function\).pdf](http://www.arrowheadschoools.org/cms_files/resources/2014-15%20Budget%20Summary%20(comp%20by%20function).pdf)

Waukesha County

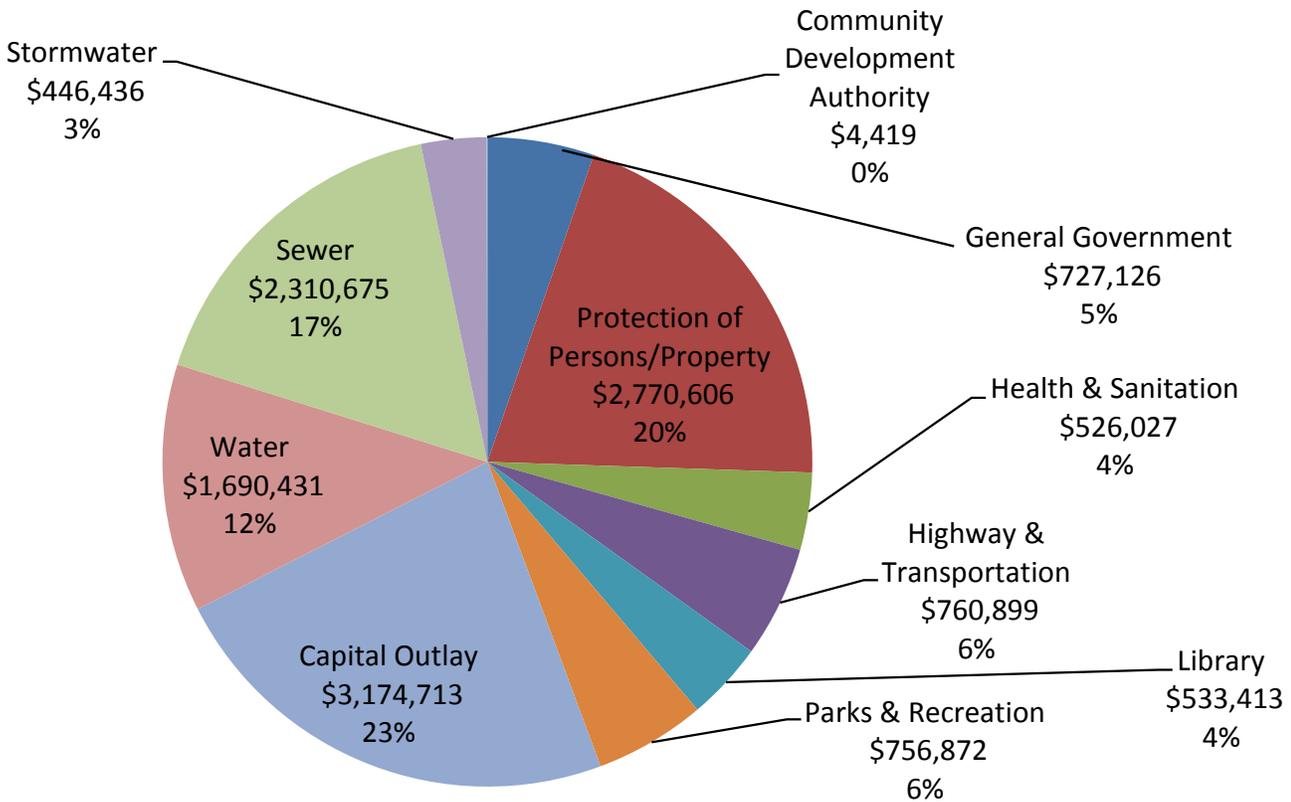
www.waukeshacounty.gov/2015_Adopted_Budget.aspx

Waukesha County Technical College

www.wctc.edu/about-wctc/administration/2015-budget.pdf

Where the Money Goes

There are three main categories of expenses: **operating**, **capital** and **debt**. The capital assets purchased are discussed in the “what we have” section and the debt payments are discussed in the “what we owe” section.



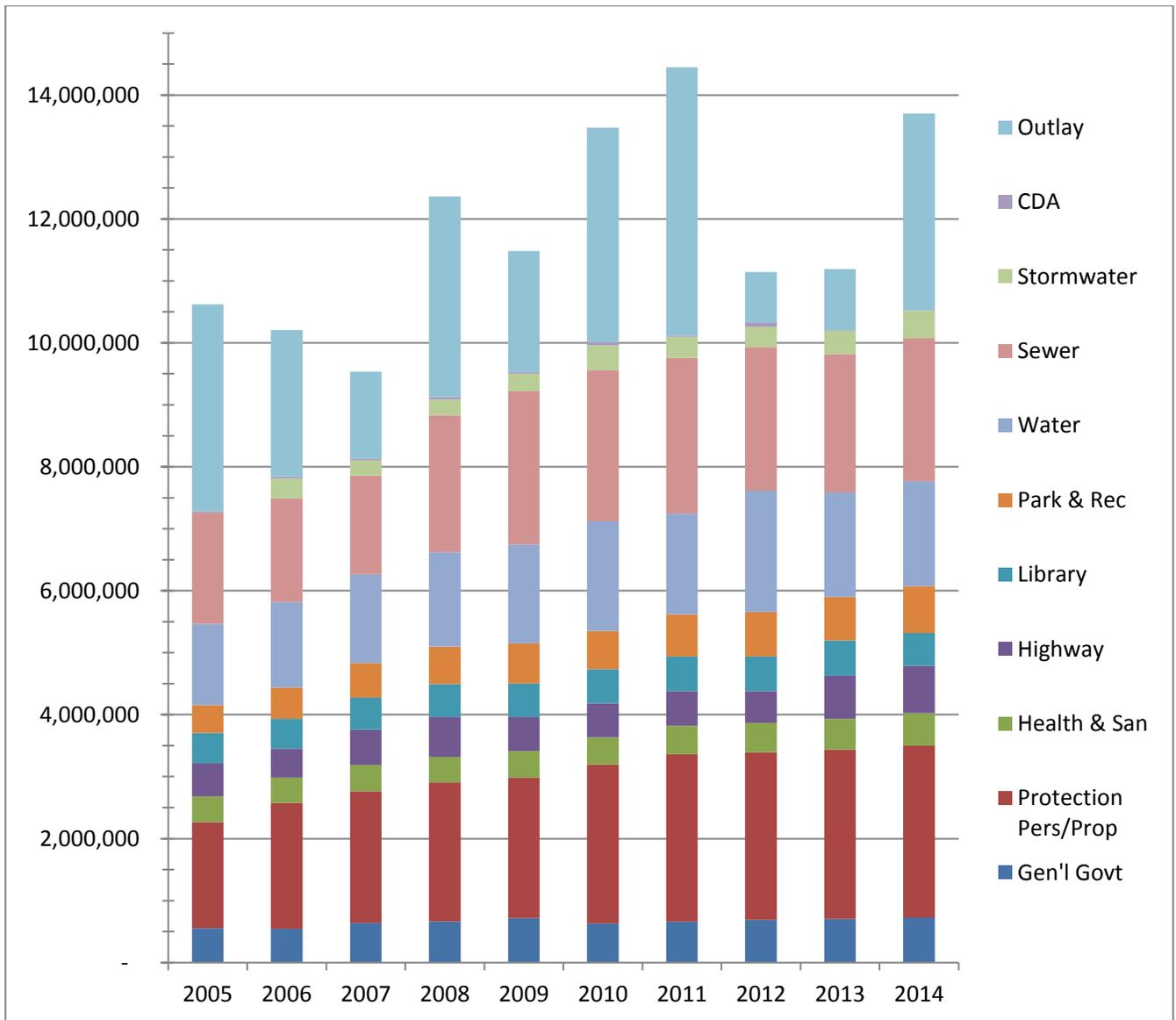
Following is a chart showing the Village’s operating expenses for 2014.

The amount spent for Capital Outlay is generally the spending of funds borrowed for specific projects. Oftentimes, spending for capital outlay is for the construction or acquisition of capital assets but it could also be for maintenance of the capital assets, such as the annual road program or development incentives.



The following chart shows a 10-year spending history for the Village.

- The **Stormwater Utility** was created in 2006, so there are no expenses before then.
- The majority of expenses show minimal increases from year to year; however, **Outlay** shows fluctuations that typically coincide with the years that the Village has borrowed money for a major project.
- **Protection of Persons and Property** has increased with the additions of shifts for the Sheriff's Department and adding paramedic staffing for a 12-hour shift each day in the Fire Department.
- There was a significant increase between 2007 and 2008 for the **Sewer Utility**. This was a result of the completion of the plant expansion which added more operating costs as well as depreciation costs.



Included in the operating expenses are personnel costs. Excluding part-time positions such as the village board and its committees, paid on call firefighters, recreation program instructors, and election workers, the village provides all of the above services with 36.2 full-time equivalent employees. Police services are provided through a contract with the Waukesha County Sheriff's Department.

Some statistics regarding the services provided are as follows:

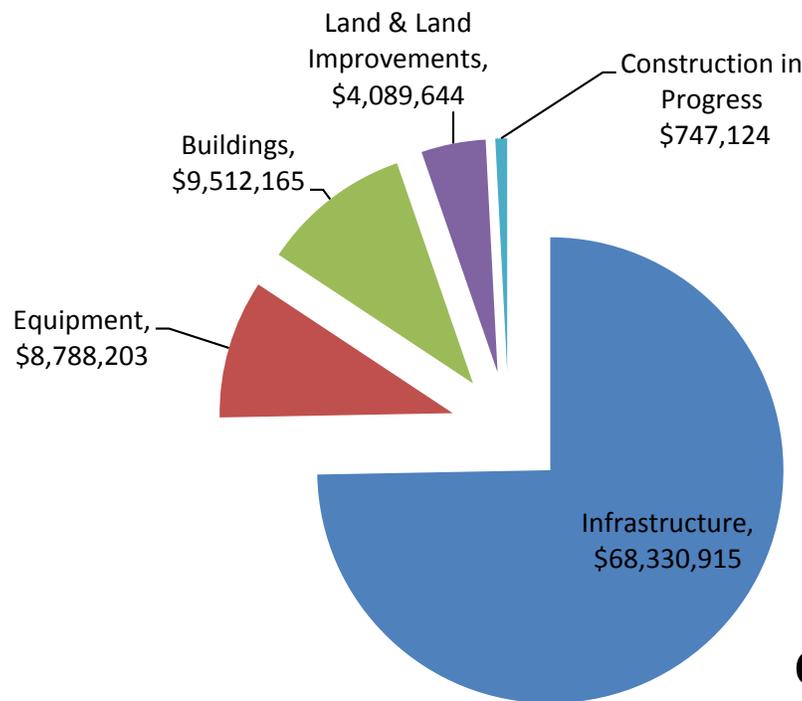
Protection of Persons & Property - Police		
Calls for Service		4,780
Citations		1,956
Traffic Incidents		706
Other Incidents		1,377
House/Building Checks		5,113
Protection of Persons & Property - Fire		
EMS Calls		1,512
Fire Calls		140
Motor Vehicle Clean Up Calls		29
Fire Inspections		989
Protection of Persons & Property - Building Inspection		
Permits - Single Family Homes		12
Permits - Multi-Family Buildings		7
Permits - Commercial/Industrial		8
Permits - All Other		1,013
Public Works Department		
Lane Miles of Roads Maintained		50
Miles of Sidewalks Maintained		10
Parks and Recreation Department		
Facility Rentals		280
Acres of Parks Maintained		274
Number of Playgrounds		10
Community Special Events		19
Participants in Recreation Programs		3,350



What We Have

To assist in our planning for the replacement of large capital assets and other major expenses, the Village prepares an eight-year **Capital Improvement Program (CIP)**. The CIP is a tool to assess the long-term capital needs, values and desires of the Village and to establish funding of high-priority projects in a timely, cost-effective manner. The current CIP is available on the Village's website at www.villagesussex.org under the Executive Department.

The major component of the CIP is capital asset replacement. Capital assets are equipment, buildings, land and infrastructure owned by the Village that is expected to serve our residents over multiple years. The Village has \$91.5 million (net of depreciation) in capital assets across all departments and functions.



The largest component, infrastructure, includes 50 miles of roads, as well as water, sewer and stormwater mains and the water towers and hydrants.

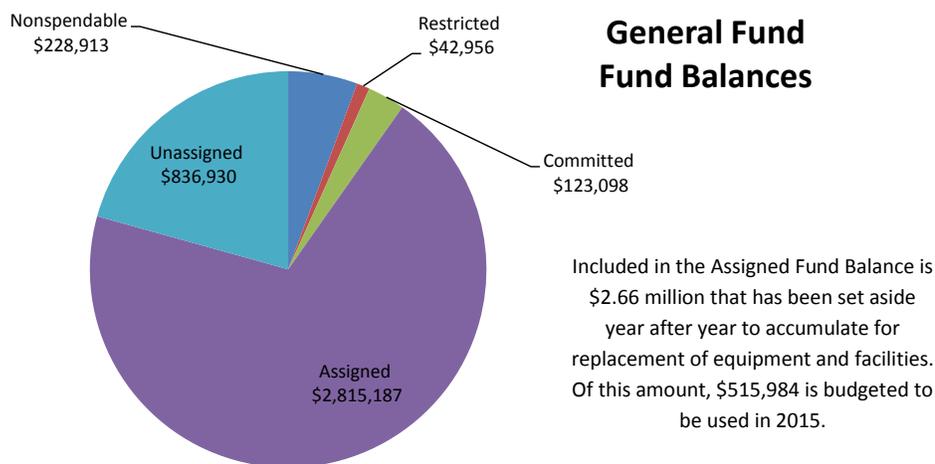
Beginning with the 2009 budget, the Village has been working towards setting aside replacement funds on an annual basis to move to a pay as you go system and limit borrowing to major projects. As of December 31, 2014, the Village has about \$2.66 million that has been set aside for future replacement of equipment and buildings. These funds will serve as a funding source for future CIPs as well as equipment purchases in the annual operating budget.

Another value often used to determine the financial stability of a municipality is equity. Having adequate equity balances provides flexibility to a municipality to address shortfalls and unexpected costs. The previously mentioned replacement funds are set aside as equity within the Village's General Fund.

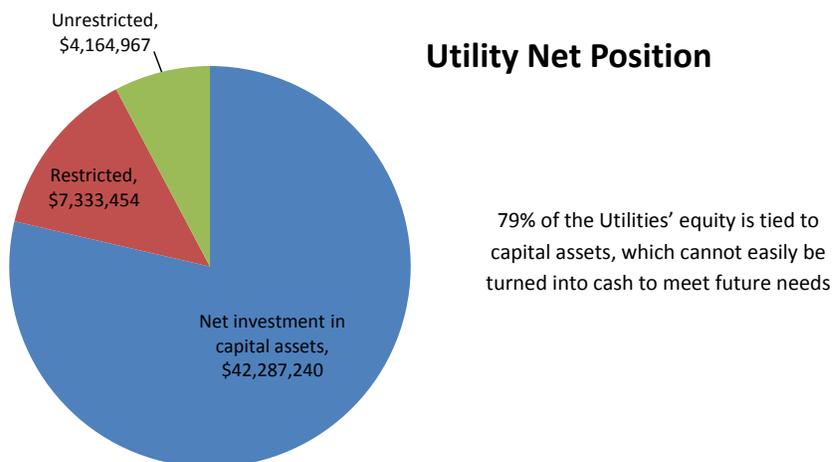
Within the Village's **General Fund** (the main operating fund of the Village, excluding utilities), equity is called Fund Balance and is classified using the following categories:

- **Nonspendable** – items that cannot be readily turned into cash, such as prepaid expenses and long-term receivables, and therefore cannot be spent within the next year.
- **Restricted** – fund balance that is restricted by an outside organization to be used for a specific purpose.
- **Committed** – fund balance that is committed by the Village Board to be used for specific purposes.
- **Assigned** – fund balance that is assigned to specific purposes by the Village Administrator and/or Finance Director
- **Unassigned** – remaining fund balance that does not fall into one of the above categories and is used for working capital, unforeseen emergencies, and to finance one-time projects if needed.

At December 31, 2014, the balances were as follows:



Within the three utilities, equity is called **Net Position**, which is made up of three components: net investment in capital assets, restricted net position and unrestricted net position. Following is the total net position held by the three utilities:



Overall, the Village is financially healthy. The establishment of the equipment replacement fund was specifically recognized by our credit rating agency during their last report. The most recent credit ratings are Aa3 for general obligation debt and A1 for revenue bonds.

What We Owe

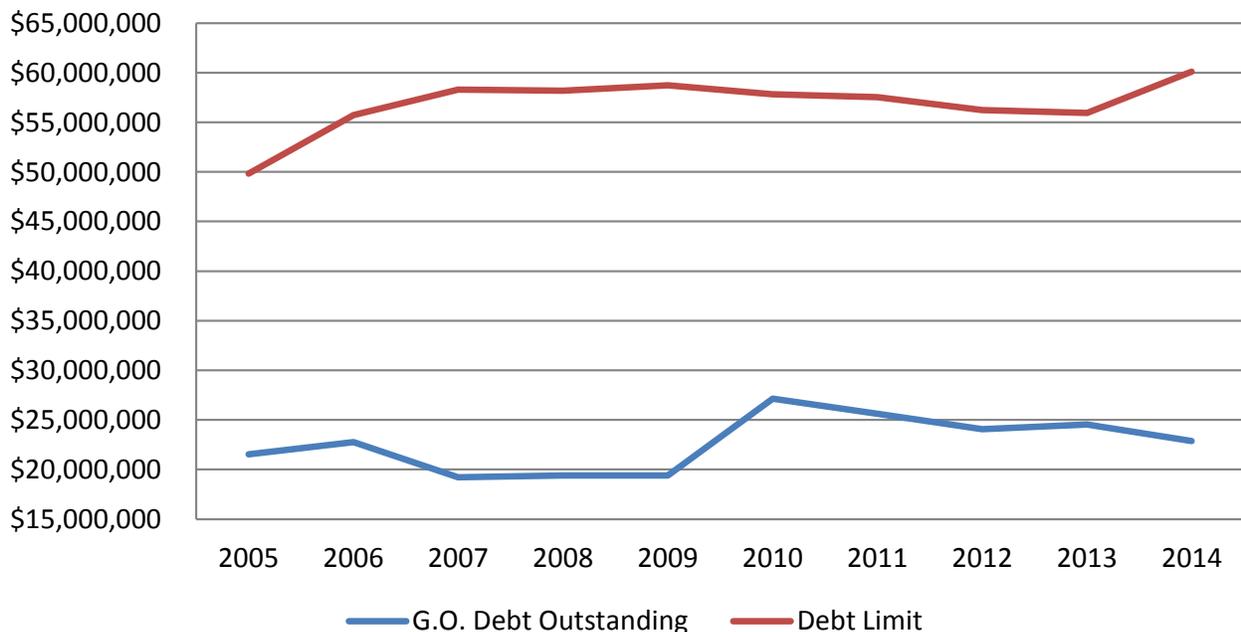
It is the Village's practice to issue debt for projects that cannot be financed from current revenues. Debt is paid back within a period of time not to exceed the useful life of the project being funded, which, in general, is at or below 20 years.

A benefit of issuing debt to pay for large projects is to allocate the payment of the project to those that benefit from the project. In other words, the debt payments will be made by future generations that use the asset acquired through the project rather than by previous generations that did not have access to the particular asset.

In general, the Village borrows every two to three years depending on the scheduled project in the CIP as well as the current interest rates. Debt issues are structured to maintain level payments over the life of the outstanding debt in order to avoid large fluctuations in the tax rate.

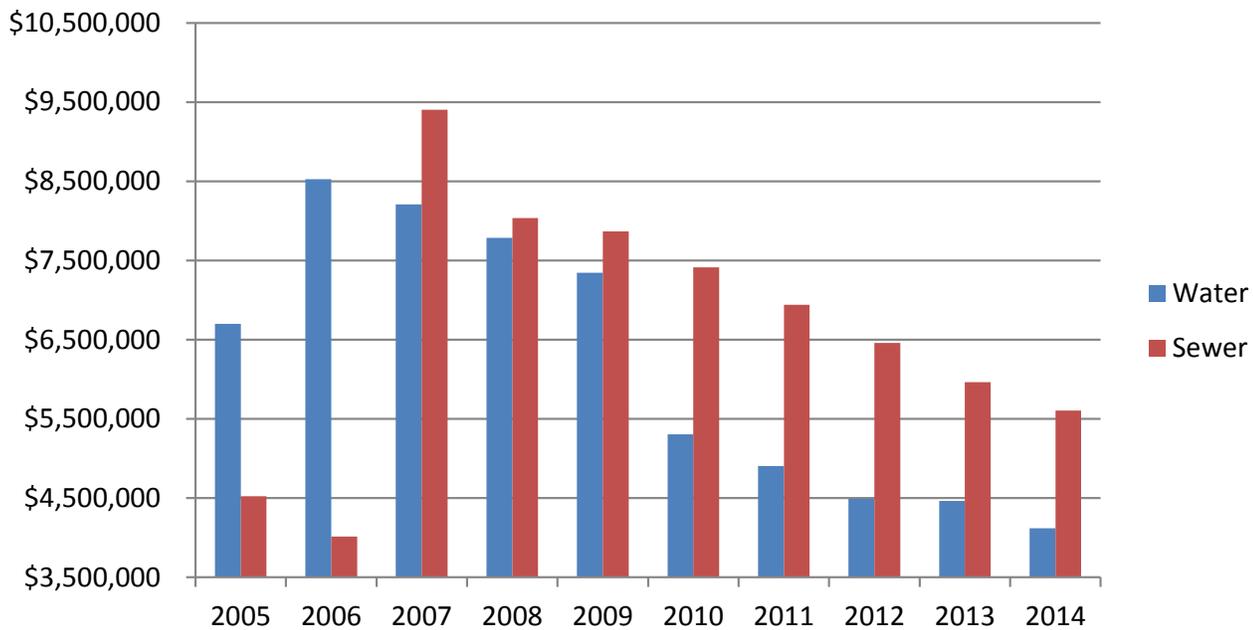
General obligation (G.O.) debt is external debt owed by the Village that is supported by the ability to levy property taxes to make the payments. Other than debt held for the utilities, most of the Village's external borrowing is G.O. debt. State statutes limit the amount of G.O. debt we are allowed to hold at 5% of our equalized value. As shown in the chart below, our outstanding debt has remained below 50% of the allowed limit.

General Obligation Debt vs. State Imposed limits



Revenue bonds are external debt owed by the Village utilities that is supported by future customer revenues. The revenue bonds held by the Water and Sewer Utilities are subject to debt covenants that require a certain level of revenues be pledged towards payment of the debt. Each month, the pledged portion is segregated into a separate fund and the cash is reserved for the upcoming debt payments. A reserve fund was also established when the debt was issued and is intended to subsidize any future decrease in revenues that results in an inability to make a debt payments. Throughout the life of the debt, the reserve fund has not been needed.

Outstanding Revenue Bonds



The large increase in water revenue debt in 2006 coincided with the construction of wells 6 and 7. The large increase in sewer revenue debt in 2007 coincided with the expansion of the wastewater treatment facility which also serves portions of the Town of Lisbon, Lisbon Sanitary District #1, and the Villages of Lannon and Menomonee Falls. These communities share in the repayment of the debt under the terms of various intermunicipal agreements with the entities.

In addition to the G.O. and revenue bond debt mentioned above, the Sewer Utility also has outstanding debt payable to the Village of Lannon to share in the construction costs of the Lannon Interceptor. At December 31, 2014, there is one payment remaining in the amount of \$48,991.

Where We Are Going

Within the next 10 years, the population of the Village is expected to increase to about 15,000. The Village Board has taken that into consideration when completing the current **Capital Improvement Program (CIP)**. Some of the upcoming projects in the CIP are the new Civic Campus, Main Street, and beginning park improvements as detailed in the Village Park Master Plan.

Civic Campus

The Civic Campus will allow more of the Village departments to operate out of one building, will bring several non-profit organizations into our building which in turn will enable their existing locations to go back onto the tax roll to share some of the tax burden, and will provide much needed space to comply with additional staff as well as record retention requirements. In addition, the new Civic Campus will provide a gathering place for seniors, many options for meeting and class space for the Village and community, and be a destination for several existing community events.

Reconstruction of Main Street

Village staff has been working with outside engineers to design the reconstruction of **Main Street** from Waukesha Avenue to Maple Avenue. Portions of the construction will be timed to occur at the same time as the Civic Campus construction in order to minimize the inconvenience of such a major project. The reconstruction of Main Street is one step toward creating a more active, functional and visually unified village center as addressed in the Downtown Design and Development Plan updated in 2011.

Village Park Master Plan

The Village Park Master Plan was adopted in 2012. It addresses future community goals and objectives, current and proposed land uses as well as potential redevelopment. As part of the plan, the first phase will make changes to the park to meet the current recreation needs of our community. Future phases include upgrades and additions for various sporting and special events as well as to meet the needs for some of the annual events held in the park.

In addition to the above projects by the Village, there are several plans in various stages of the approval process that have been presented by outside developers. Some of the projects will include downtown redevelopment, others are along the Highway 164 corridor, and there are two residential subdivisions expected as previously mentioned in this report.

