

Village of Sussex

Annual Financial Report to the Citizens



For the year ending December 31, 2015

One of the Village Board's goals is to improve communication with the public. Towards that goal, this report has been prepared 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 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, IT 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

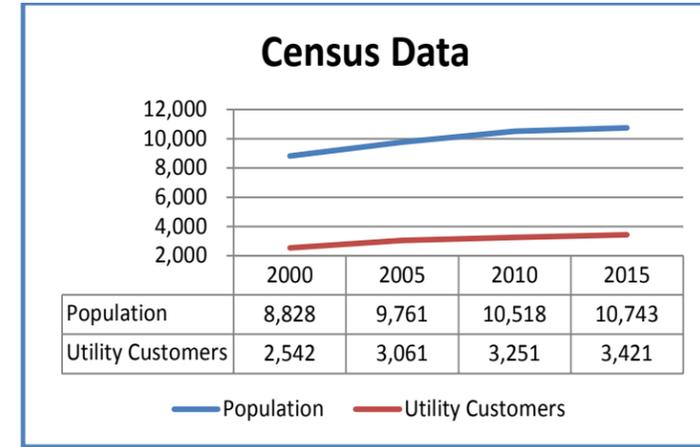
- **Water Utility** – supplies safe drinking water to residents and businesses.
- **Wastewater (Sewer) Utility** – treats all wastewater generated in Sussex, as well as parts of the Town of Lisbon/Lisbon Sanitary District, Lannon and Menomonee Falls.
- **Stormwater Utility** – carries out the Village's Stormwater Management Plan and addresses the requirements of the Village's State Stormwater Discharge 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.



Back row (from left): President Greg Goetz, Trustees Lee Uecker and Tim Dietrich. Front row: Trustees Bob Zarzynski, Pat Tetzlaff, Wendy Stallings and Matt Carran.

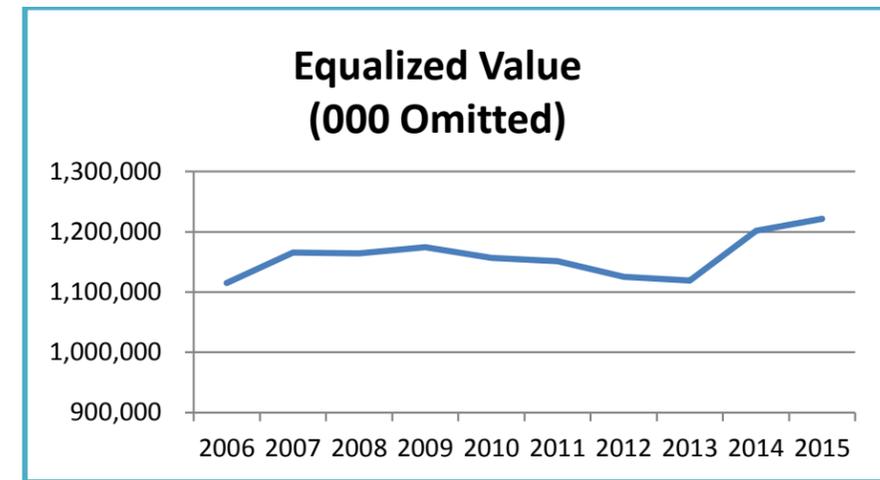
The Village of Sussex is a full-service, mid-size village providing services that include fire and police protection, thoughtful development and economic growth, maintenance of the Village's infrastructure (roads, sidewalks, water and sewer mains), quality of life options such as parks, recreation and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



During the period shown, the population has increased 22% and the average number of utility customers has increased 35%

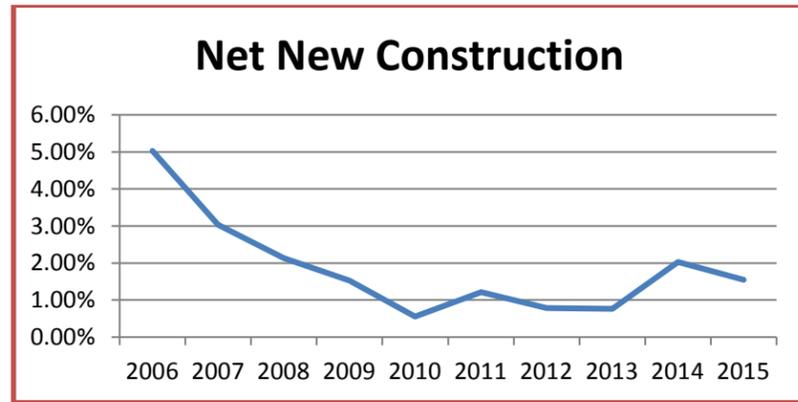
Construction began for two new residential subdivisions in 2015. These are located along Maple Avenue south of the Community Center and to the south of Woodside School. In addition, development plans are in process for another residential subdivision along Maple Avenue south of Armory Park.

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 an outside appraiser who places 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.

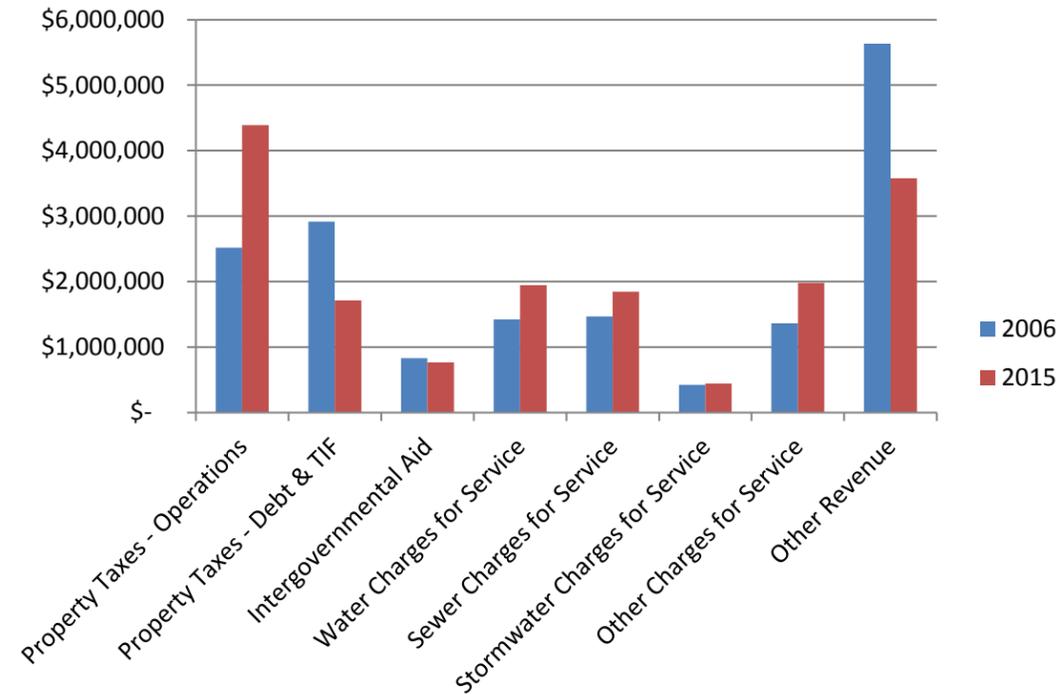
MAJOR EMPLOYERS		
Employer	Business Services	Employees
Quad/Graphics, Inc.	Printer	2,100
Quad/Tech, Inc.	Manufacturer printer equipment	360
Beer Capital Distributing	Distributor	338
Sussex IM	Package cosmetic products	232
Hamilton School District	Elementary & secondary education	145
Sharp Packaging	Plastic 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	2015 Assessed Value	Percent of Total Assessed Valuation
Quad/Graphics, Inc.	\$50,973,800	4.25%
Beer Capital Distributing	\$14,457,800	1.21%
Seasons Apartments	\$13,044,000	1.09%
Mammoth Springs Apartments	\$10,231,900	0.85%
Maple Creek/Grove Apts	\$10,196,300	0.85%
Menlo Realty Income Properties	\$8,450,000	0.71%
McAdams Realty	\$8,386,500	0.70%
GPT Sussex Owner LLC	\$8,249,800	0.69%
Nature's Path	\$7,711,500	0.64%
Clover Ridge Apartments	\$6,668,400	0.56%
Top 10 TOTAL	\$138,370,000	11.55%
TOTAL ASSESSED VALUE FOR 2015	\$1,198,095,937	

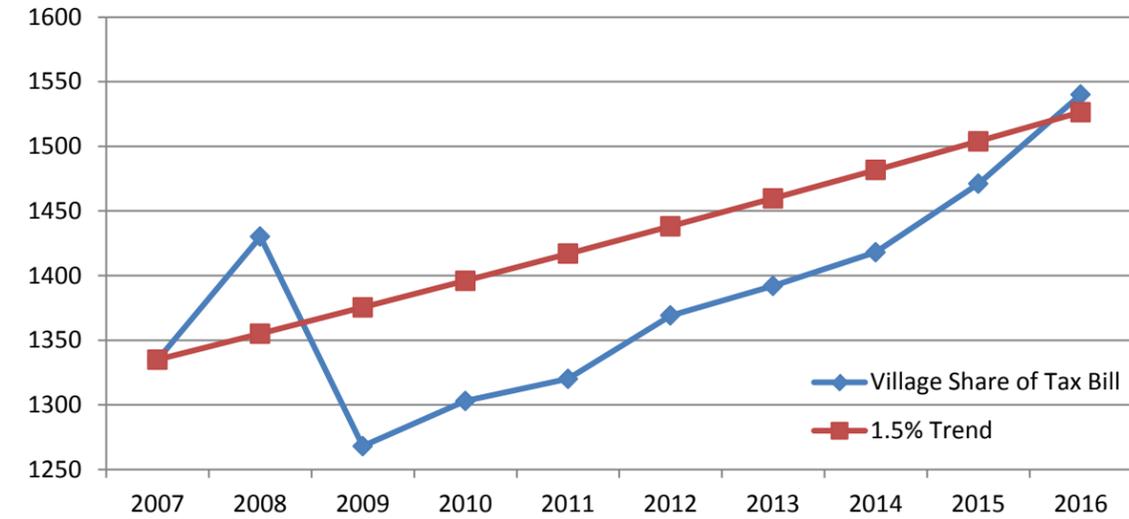


Most of the money the Village receives is from two sources: **property tax levy** and **utility charges** to customers. The following graphs of the revenues by source (excluding transfers between funds) compare the most recent results with 10 years ago.

Where the Money Comes From



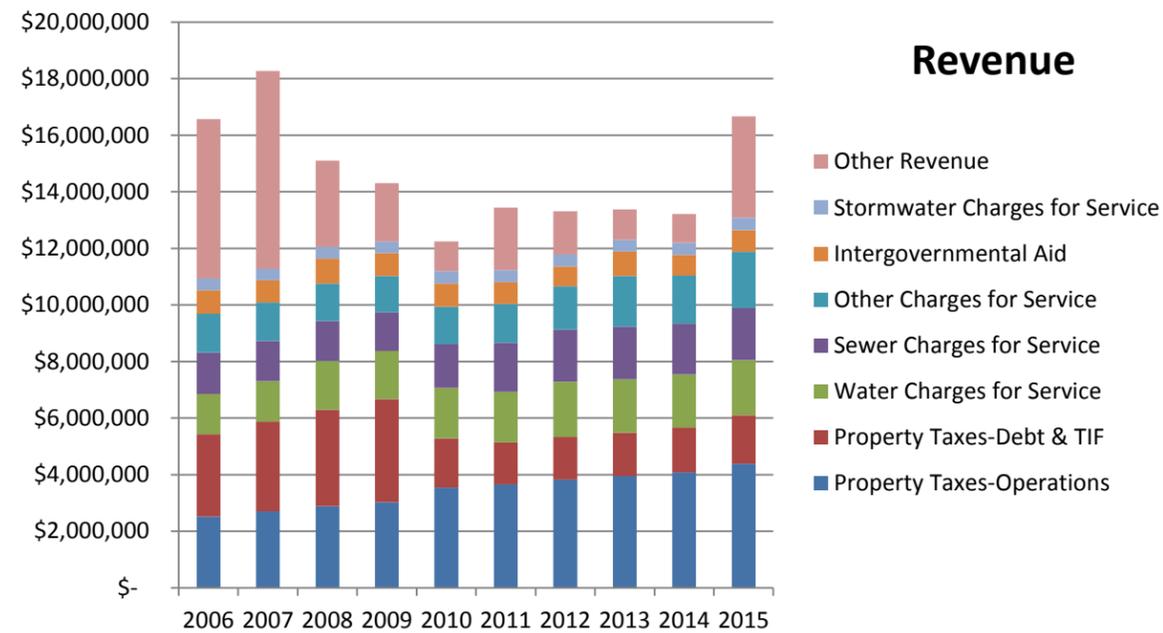
When comparing residential taxes from year to year, \$300,000 is the average home value used. With changes in the economy, that home value fluctuates from year to year based on annual reassessments. Over the past 10 years, the Village share of the property taxes on the average home value is as follows:



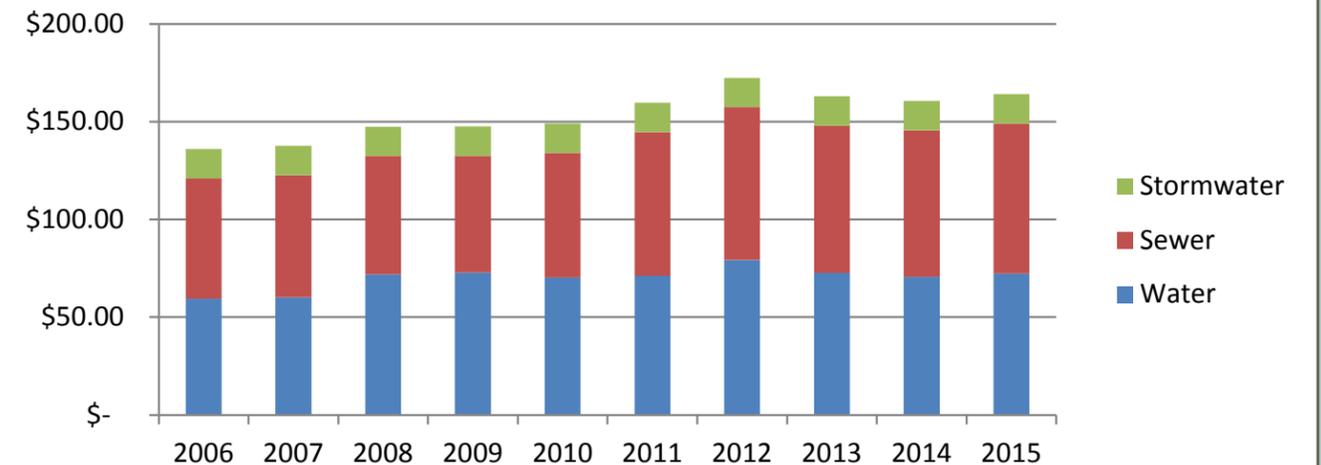
The dramatic drop from 2008 to 2009 was the closure of TIF #5 when the property value was added back to the general tax roll.

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.

A 10-year comparison of these same revenue sources follows:



Average Household Quarterly Utility Bill



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. Volumetric charges are the same for all types of customers. The quarterly service charges for water and stormwater vary based on the meter size for water and the number of ERUs for stormwater. The following chart shows the history of rates based on a single family residence.

Year Ended December 31,	Water		Sewer		Storm Service Charge
	Volume Per 1,000 gal of water	Service Charge	Volume Per 1,000 gal of water	Service Charge	
2006	2.07	21.30	3.18	15.26	15.00
2007	2.07	21.30	3.18	15.26	15.00
2008	2.52	31.50	3.18	15.26	15.00
2009	2.52	31.50	3.18	15.26	15.00
2010	2.56	31.50	4.07	16.68	15.00
2011	2.56	31.50	4.22	16.68	15.00
2012	2.75	31.50	4.37	17.25	15.00
2013	2.75	31.50	4.50	17.77	15.00
2014	2.83	32.45	4.64	18.30	15.00
2015	2.83	32.45	4.78	18.85	15.00

Information about the taxing entities can be found at:



Hamilton School District



Arrowhead School District

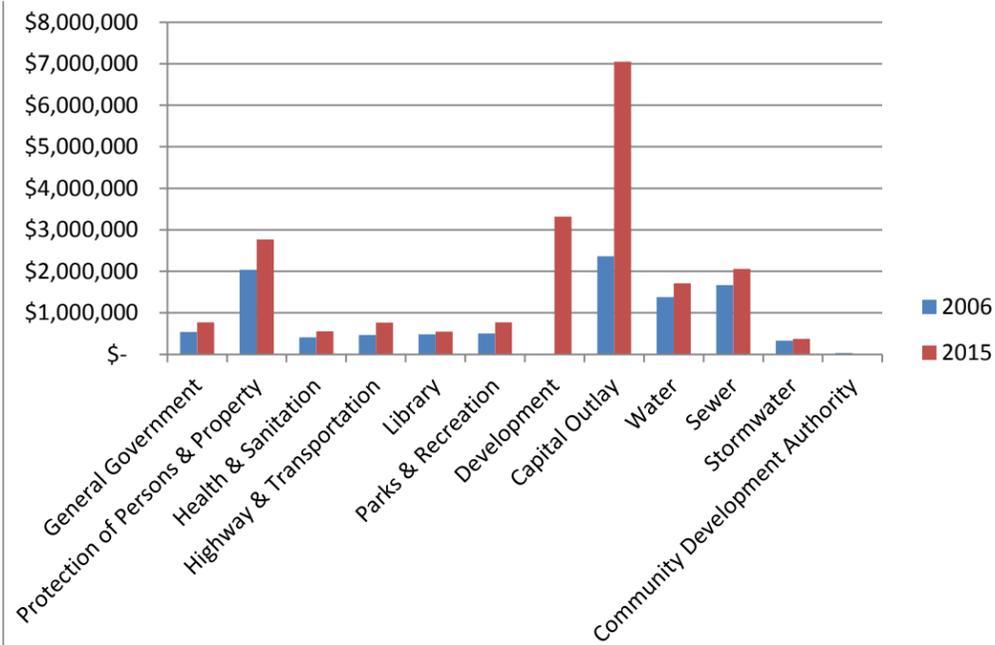


The Village collects property taxes for several taxing jurisdictions including the State, County, School Districts and Technical College.



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.

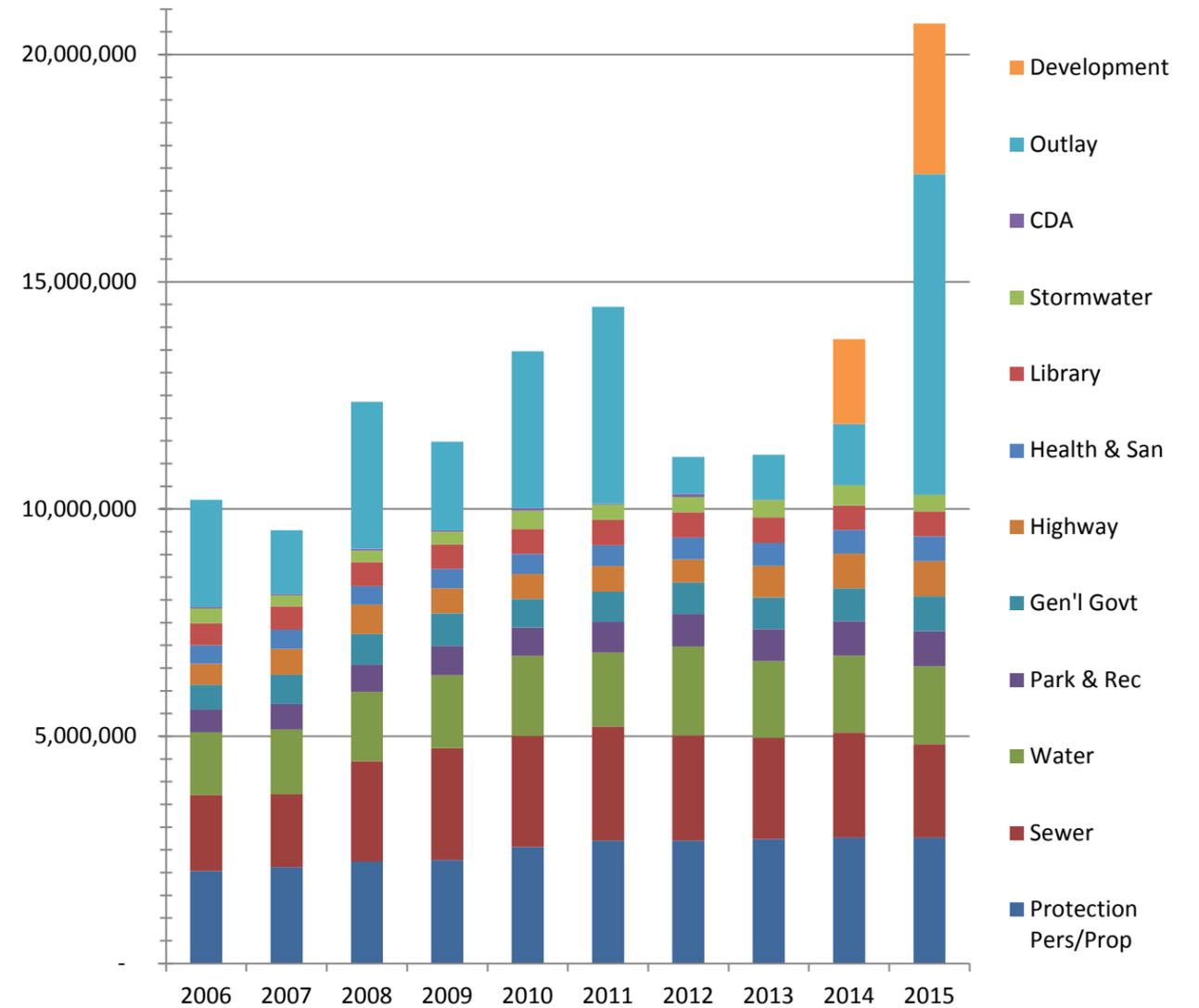
Following is a chart that compares the Village’s operating expenses for 2015 with 10 years ago.



The services provided in each of the categories shown above are as follows:

- **General Government** – Includes the offices of the Village Administrator, Village Clerk, Finance Department, Information Technology and the Village Board and Committees.
- **Protection of Persons & Property** – All services provided by the Fire Department, Building Inspection & Development and contracted services provided by the Waukesha County Sheriff’s Department.
- **Health & Sanitation** – Includes costs to provide garbage and recycling services to residential properties. This also includes the costs of the annual brush pickup.
- **Highway & Transportation** – This category includes costs to maintain all Village streets, including street lighting. It also includes the costs of the Village Engineering staff.
- **Library** – Includes the Village of Sussex contribution to the operating budget of the Pauline Haass Public Library.
- **Parks & Recreation** – All costs to maintain 15 Village parks and natural areas, provide recreational and senior programming, plan and execute all special events and maintain Village buildings are covered by this category.
- **Development** – Costs associated with the Tax Incremental Financing District fall into this category.
- **Capital Outlay** – This category includes spending for equipment purchases, road reconstruction and building construction.
- **Water, Sewer, Stormwater** – All costs to run these Village utilities are included in these categories.
- **Community Development Authority** – This category includes payments for downtown development and improvement.

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

- The majority of expenses show minimal increases from year to year. Outlay, however, 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.
- **Development** costs coincide with payments for TIF #6 in 2014 and 2015.

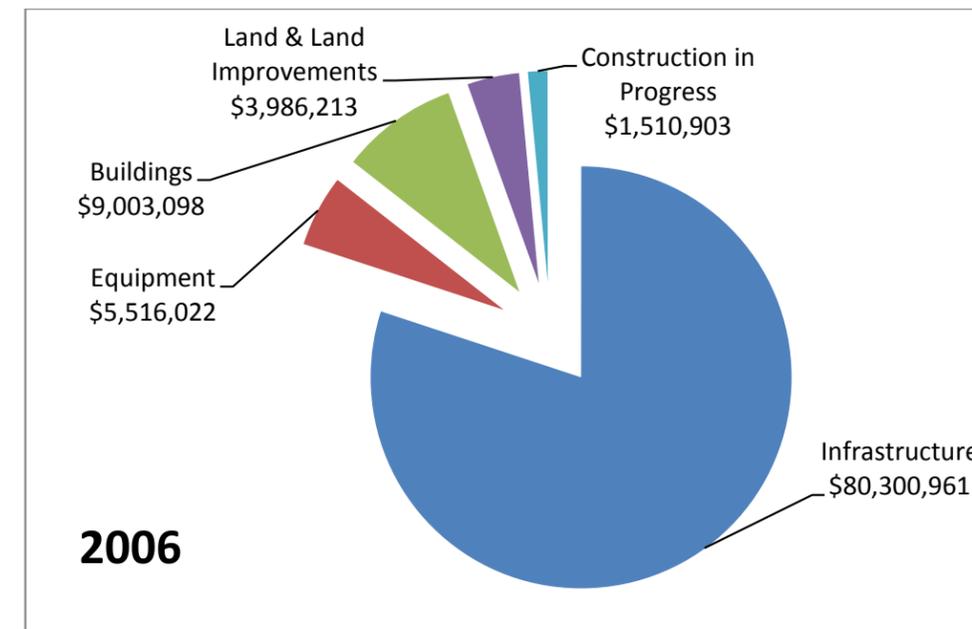
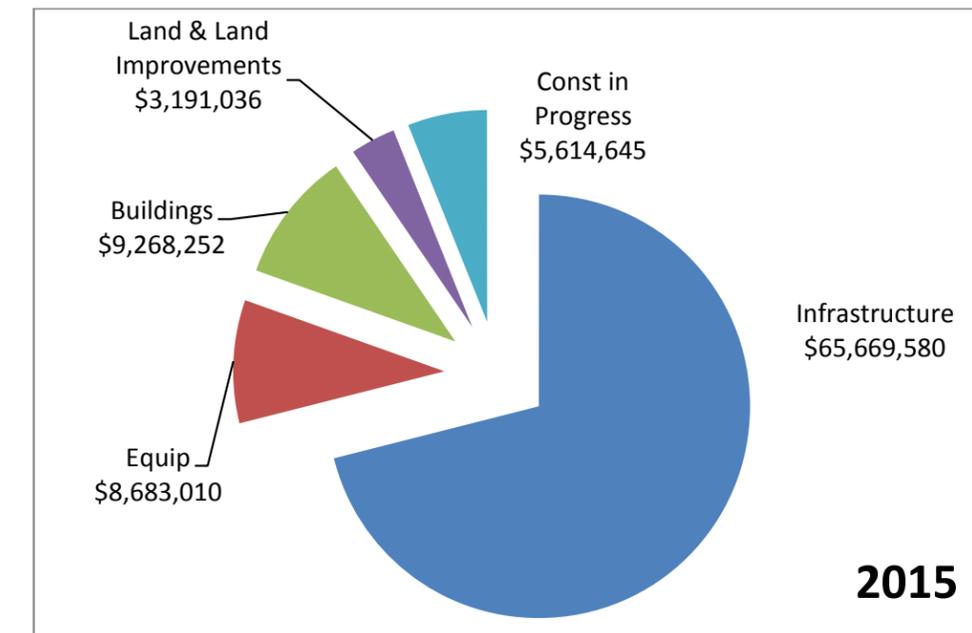
Included in the operating expenses are personnel costs. Excluding part-time positions, such as the Village Board and its committees, paid-on-call firefighters, recreation program instructors and election workers, the Village provides all of the above services with 52.8 full-time equivalent employees including 14.4 for the library. 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	2015	2014	% Change
Calls for Service	5,190	4,780	8.58%
Citations	1,783	1,956	-8.84%
Traffic Incidents	882	706	24.93%
Other Incidents	1,396	1,377	1.38%
House/Building Checks	4,577	5,113	-10.48%
Protection of Persons & Property - Fire			
EMS Calls	558	512	8.98%
Fire Calls	158	140	12.86%
Motor Vehicle Clean Up Calls	30	29	3.45%
Fire Inspections	989	989	0.00%
Protection of Persons & Property - Building Inspection			
Permits - Single Family Homes	9	12	-25.00%
Permits - Multi-Family Buildings	1	7	-85.71%
Permits - Commercial/Industrial	13	8	62.50%
Permits - All Other	904	1,013	-10.76%
Public Works Department			
Lane Miles of Roads Maintained	50	50	0.00%
Miles of Sidewalks Maintained	10	10	0.00%
Parks and Recreation Department			
Facility Rentals	319	280	13.93%
Acres of Parks Maintained	274	274	0.00%
Number of Playgrounds	10	10	0.00%
Community Special Events	21	19	10.53%
Participants in Recreation Programs	4,380	3,350	30.75%

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 consist of equipment, buildings, land and infrastructure owned by the Village that are expected to serve our residents over multiple years. The Village has \$92.4 million (net of depreciation) in capital assets across all departments and functions at the end of 2015.



For comparison, the balances at year end 2015 are compared to year end 2006 above. The largest component, infrastructure, includes 50 miles of roads, as well as water, sewer and stormwater mains and the water towers and hydrants.



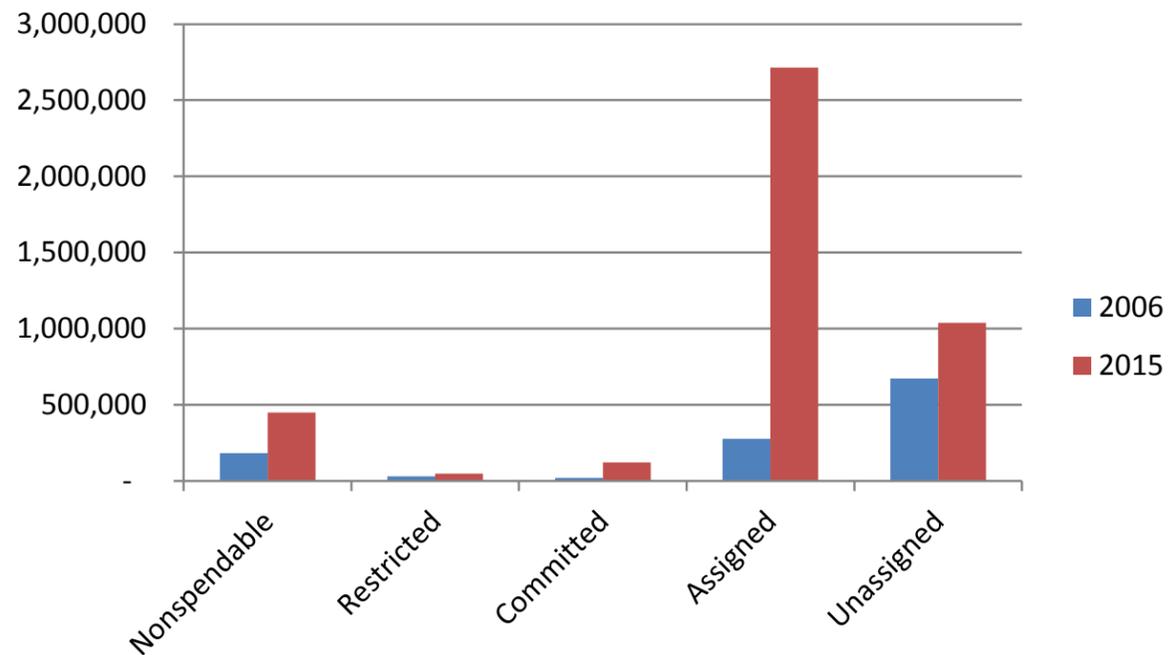
Beginning with the 2009 budget, the Village has been working towards setting aside replacement funds on an annual basis to move to a pay as you go system and limit borrowing to major projects. As of December 31, 2015, the Village has about \$2.59 million that has been set aside for future replacement 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.

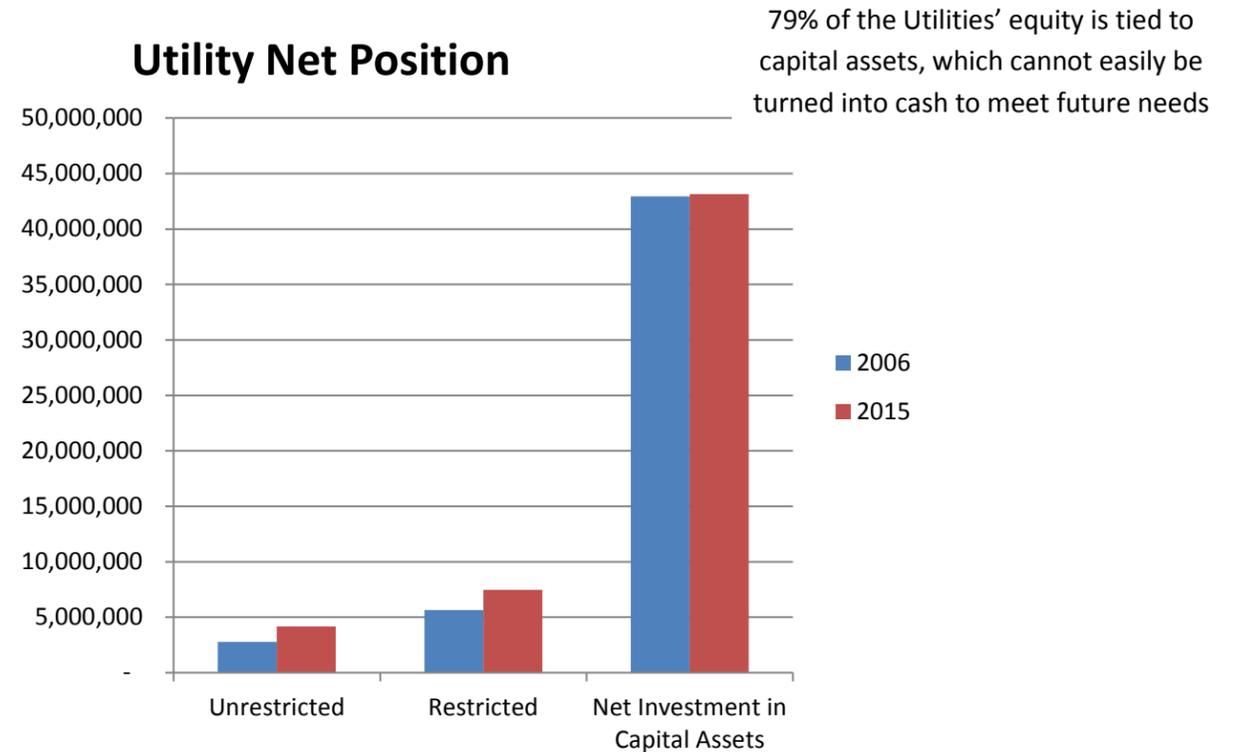
The fund balances at December 31, 2015 compared to December 31, 2006 are as follows:



Included in the 2015 Assigned Fund Balance is \$2.59 million that has been set aside in small amounts annually to accumulate for replacement of equipment and facilities, which eliminates borrowing costs for these items. Of this amount, \$839,786 is budgeted to be used in 2016.

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 comparing the most recent year end with ten years ago:

Utility Net Position



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.



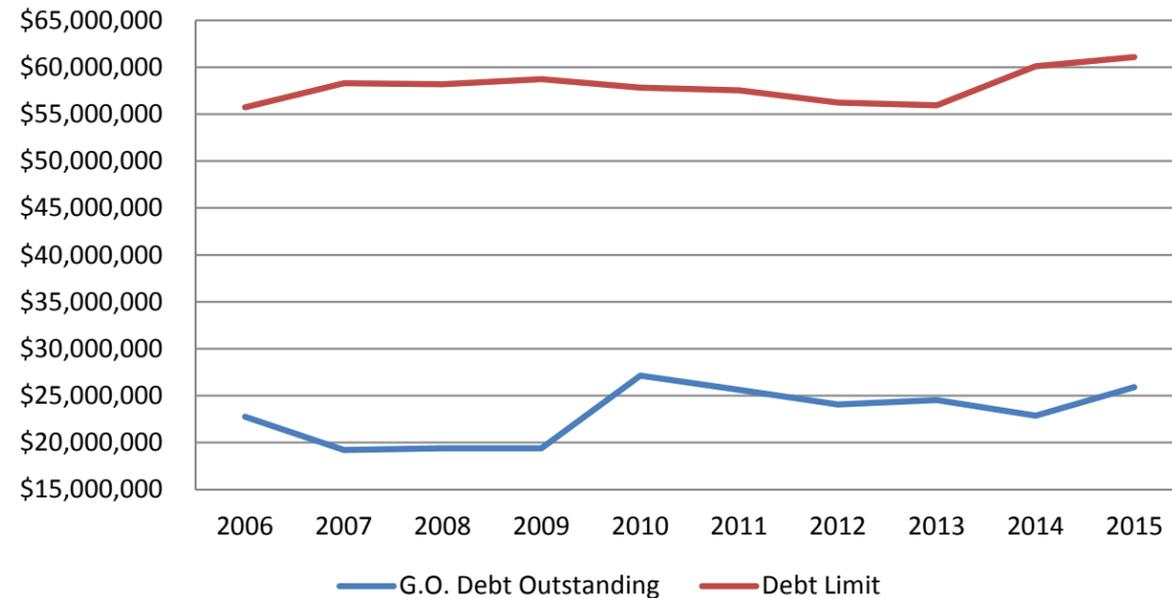
It is the Village's practice to issue debt for projects that cannot be financed from current revenues or reserves. Debt is paid back within a period of time not to exceed the useful life of the project being funded, which, in general, is at or below 20 years.

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.

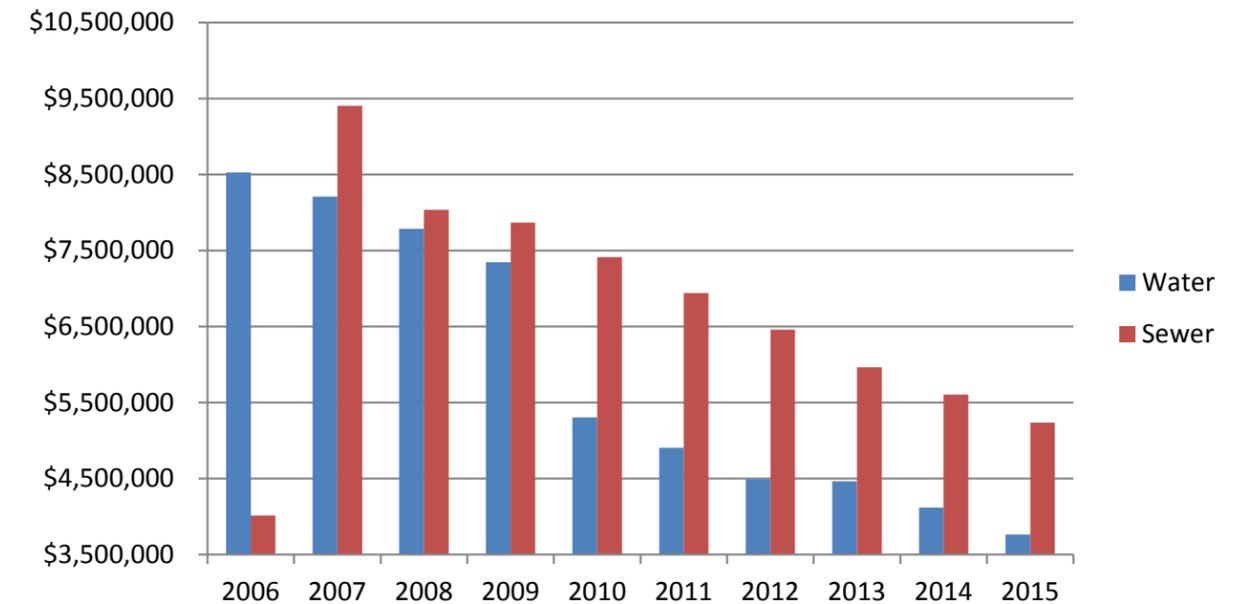
General obligation (G.O.) debt is external debt owed by the Village that is supported by the ability to levy property taxes to make the payments. Other than debt held for the utilities, most of the Village's external borrowing is G.O. debt. State statutes limit the amount of G.O. debt we are allowed 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.

Within the next ten 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). Current projects in progress are the new Civic Campus and Main Street. Some of the upcoming projects in the CIP are beginning park improvements as detailed in the Village Park Master Plan and improvements to Good Hope Road and Maple Avenue.

Civic Campus

The Civic Campus is expected to be completed in the fall of 2016 and 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 needs, 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. Once this building is completed, staff will explore options for additional gym space to meet the needs of the Recreation Department if there is no YMCA project in the near future.

Reconstruction of Main Street

The reconstruction of Main Street from Waukesha Avenue to Maple Avenue has begun in 2016. 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. In addition, there is redevelopment occurring as part of the TIF District that will provide more housing options within walking distance of the downtown area. As evidenced by the recent occupancies, the new apartments have appealed to all age groups. We expect this trend to continue with the planned housing as well.

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.

Other Projects

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 and others are for commercial development along the Highway 164 corridor.

Two residential subdivisions began the first phase of construction in 2015 with additional phases to come. There is also another residential subdivision in the planning stage with installation of the roads and utilities expected to begin in 2016. We will likely see some of the older neighborhoods transitioning to younger families and we have to be prepared to meet their needs.



