VILLAGE OF Sussex

Annual

Financial Report to the Citizens

For the year ending December 31, 2018

Introduction

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, building 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

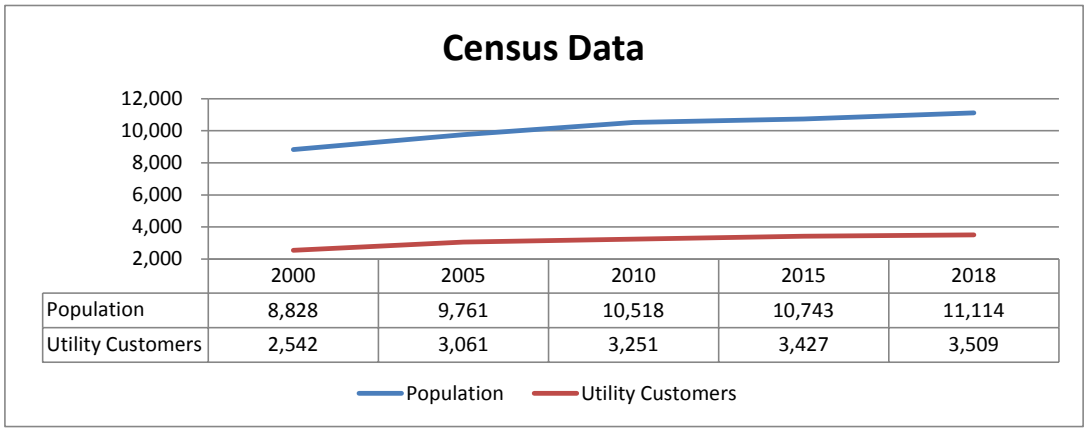
- **Water Utility** – supplies safe drinking water to residents and businesses.
- **Wastewater (Sewer) Utility** – treats all wastewater generated in Sussex, as well as parts of the Town of Lisbon/Lisbon Sanitary District, Lannon and Menomonee Falls.
- **Stormwater Utility** – carries out the Village's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

Village of Sussex Board of Trustees

(From left) Trustees Scott Adkins, Michael Bartzen, Greg Zoellick, Tim Dietrich, Wendy Stallings, President Greg Goetz, and Trustee Lee Uecker

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, library; and municipal-owned utilities.



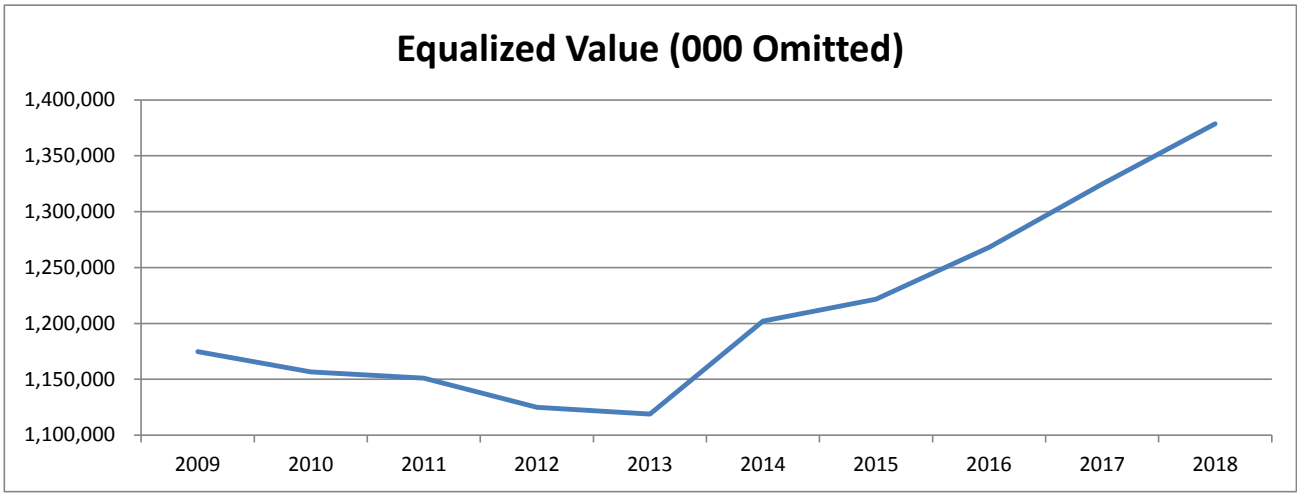
	2000	2005	2010	2015	2018
Population	8,828	9,761	10,518	10,743	11,114
Utility Customers	2,542	3,061	3,251	3,427	3,509

During the period shown, the population has increased 25.9% and the average number of utility customers has increased 38.0%

Who We Are

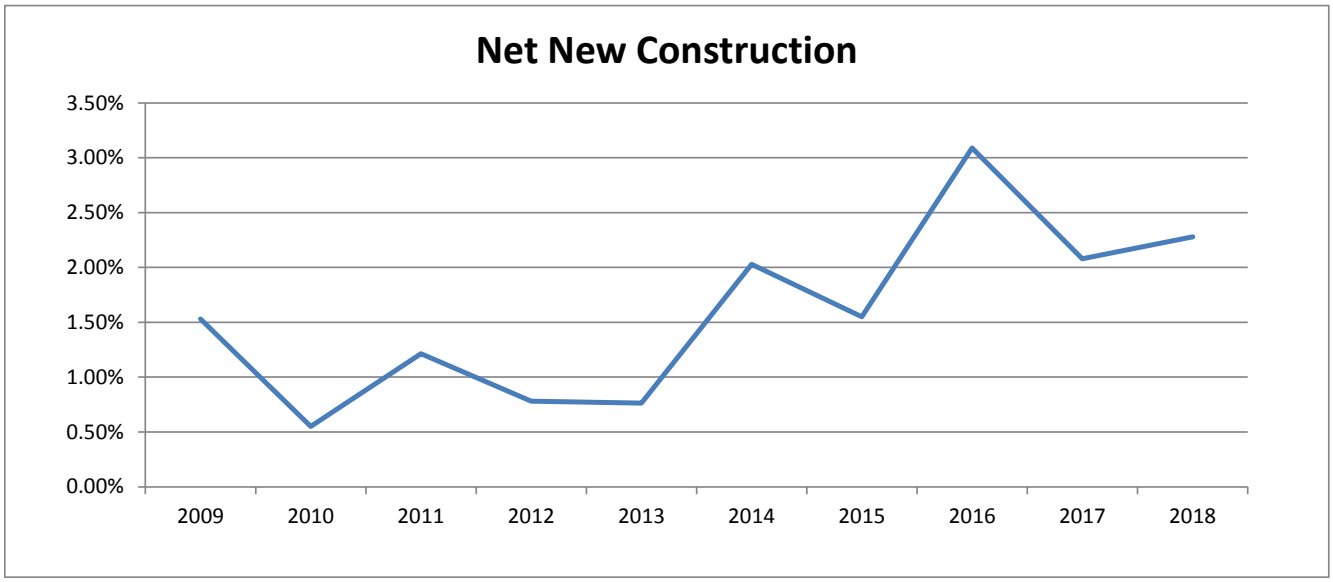
2018 saw 90 building permits issued, for a total valuation of about $29.4 million. The majority of those permits were for single-family homes and condos, as three subdivisions saw building begin. There were nine permits issued for commercial or industrial properties at a value of just under $6 million, which is included in the total above.

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 from one year to the next (excluding certain debt service costs).



The Village has seen over 17% of growth in equalized value over the past 10 years, as shown above, after the great recession saw values decline from 2009 to 2013.

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/DOR%20Publications/pb060.pdf

Vezzetti Family Dental Building

Hidden Hills Subdivision

Amazon Sorting Facility

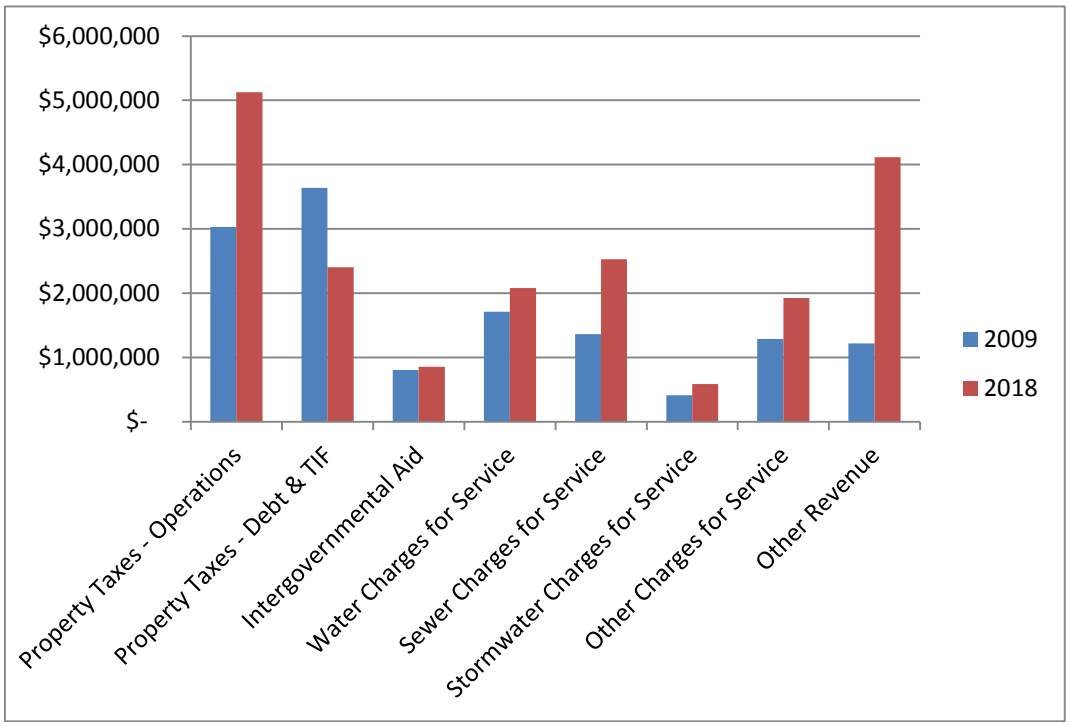
Many businesses call the Village of Sussex home and provide employment opportunities for our residents. Several of these businesses are also among the largest taxpayers in the Village.

MAJOR EMPLOYERS		
Employer	**Business Services**	**Employees**
Quad/Graphics, Inc.	Printer	2,400
Amazon	Retail	365
Beer Capital Distributing	Distributor	340
Sussex IM	Custom plastic molder	340
Meijer	Retail	250
Nature's Path	Manufacturer of organic cereal	250
Sharp Packaging	Plastic products	190
Hamilton School District	Elementary and secondary education	125
Power Test Inc.	Manufacturer of testing equipment	106
Quad/Med	Healthcare	95

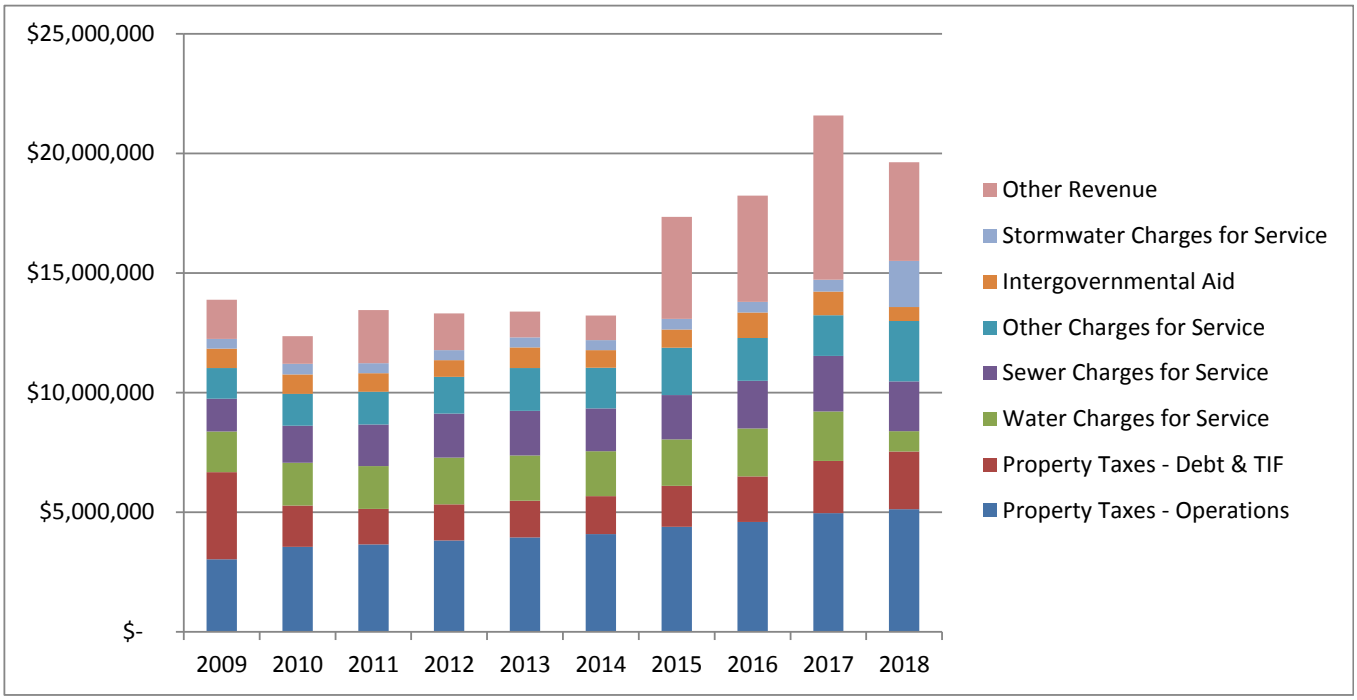
LARGEST TAXPAYERS		
Taxpayer	**2018 Assessed Value**	**Percent of Total Assessed Valuation**
Quad/Graphics, Inc.	$40,340,600	3.03%
Mammoth Spring Apartments	$35,268,000	2.65%
Meijer Stores	$15,087,500	1.13%
Seasons Apartments	$13,339,800	1.00%
Beer Capital Distributing	$14,030,900	1.05%
Maple Creek/Grove Apts	$11,164,500	0.84%
Sussex IM	$9,033,200	0.68%
McAdams Realty	$8,778,500	0.66%
GPT Sussex Owner LLC	$8,432,000	0.63%
Sharp Packaging	$7,869,400	0.59%
Top 10 TOTAL	**$163,344,400**	**12.27%**
TOTAL ASSESSED VALUE FOR 2018	**$1,331,146,600**	

Where the Money Comes From

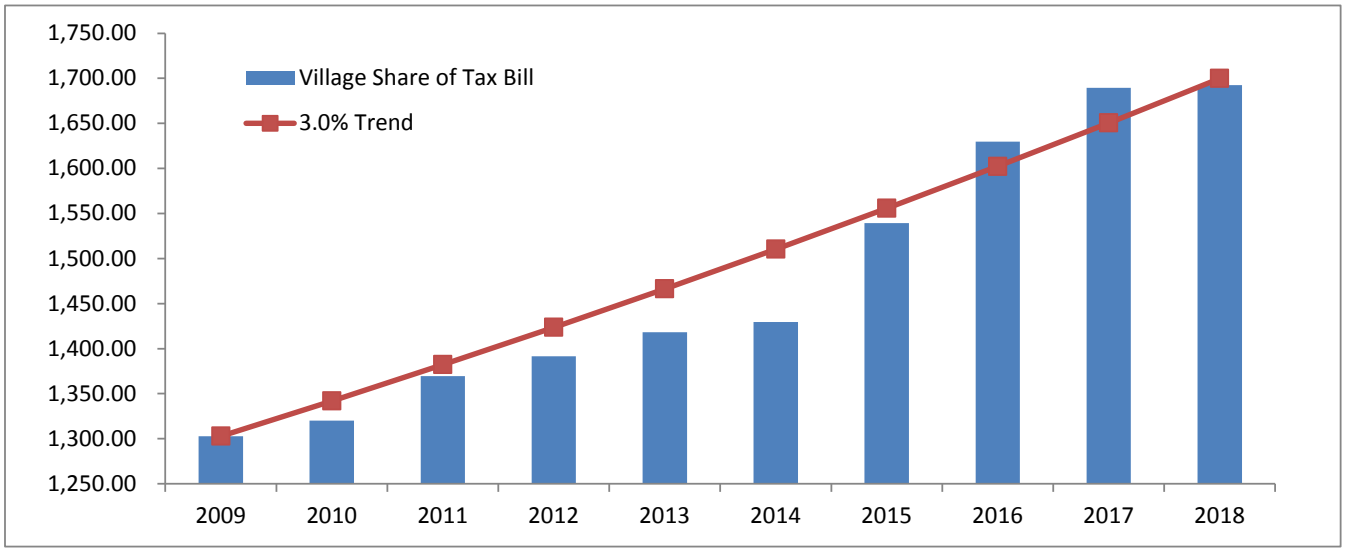
Most of the money the Village receives is from two sources: **property tax levy** and **utility charges** to customers. The following graphs of the revenues by source (excluding transfers between funds) compare the most recent results with 10 years ago. Amounts recorded as "Other Revenue" include asset contributions by developers and developer payments.



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

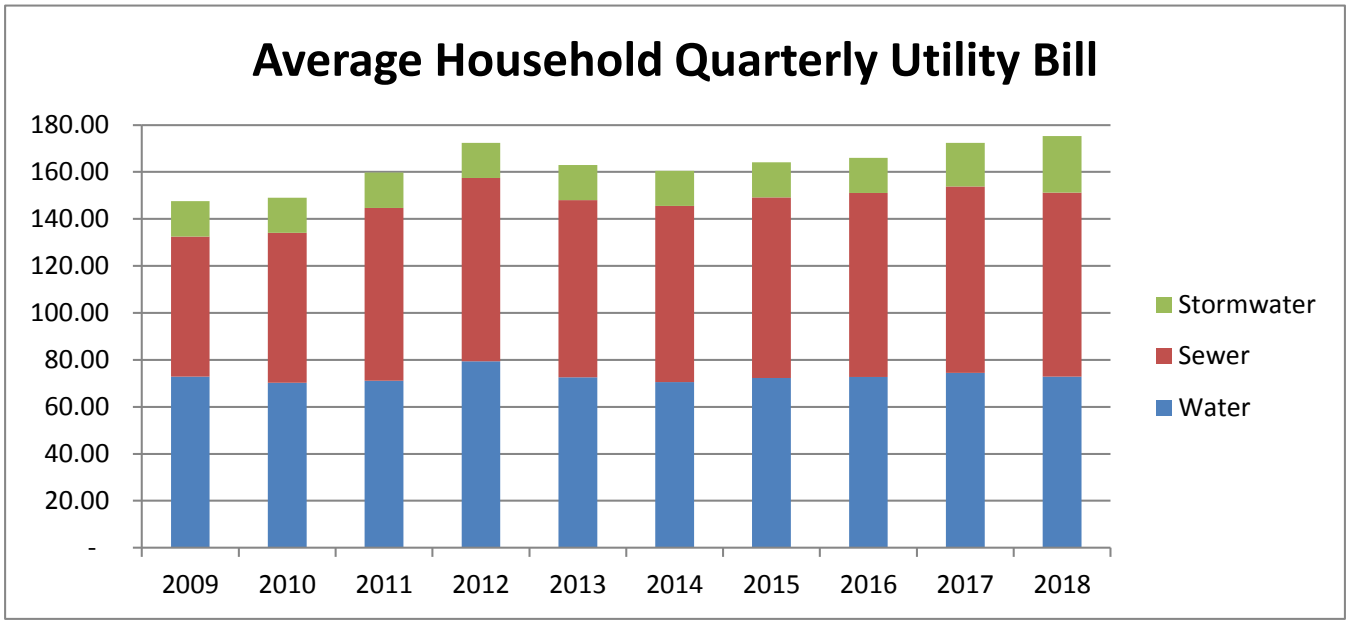


When comparing residential taxes from year to year, $300,000 is the average home value used. With changes in the economy, that home value fluctuates from year to year based on annual reassessments. Over the past 10 years, the Village share of the property taxes on the average home value is as follows:



2009 saw a dramatic drop in taxes from the year before as a result of the closure of TIF #5 when the property value of the district was added back to the general tax roll. That significantly impacts the percentage trend that is showing. Compared to 2008, there would have been a 1.5% increase year over year to 2018 rather than the 3% that is showing.

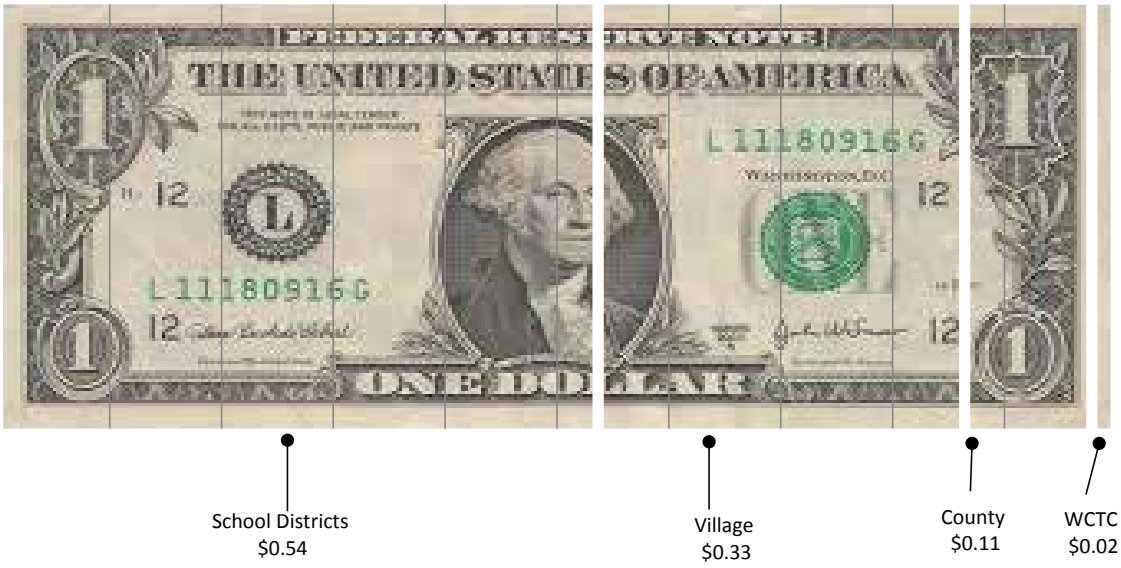
Utility charges are collected for all three of the Village-owned utilities (Water, Sewer and Stormwater) and are primarily based on the water meter size and individual usage for water and sewer. Stormwater charges are based on the number of ERUs (Equivalent Runoff Unites) with a single-family residence being charged one ERU. In 2018, the Stormwater Utility implemented the second of three phases of the rate increase.



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. Bolded rates are the years when there was a rate increase.

	Water		Sewer		Storm
Year Ended December 31,	Volume Charge per 1,000 gal of water	Service Charge	Volume Charge per 1,000 gal of water	Service Charge	Service Charge
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
2016	**3.05**	**33.00**	**4.92**	**19.42**	15.00
2017	3.05	33.00	**4.97**	**19.61**	**21.97**
2018	**3.14**	**33.99**	**5.09**	**20.10**	**24.11**

The Village collects property taxes for several taxing jurisdictions including the county, school districts and technical college.



For every dollar collected from taxpayers, $0.33 is for Village government purposes.

Information about the taxing entities can be found at:

Tax Rates Over Time

2009 $ 4.3429
2018 $ 5.6417

2009 $ 9.6228
2018 $ 9.2352

Arrowhead School District

2009 $ 11.1268
2018 $ 9.9066

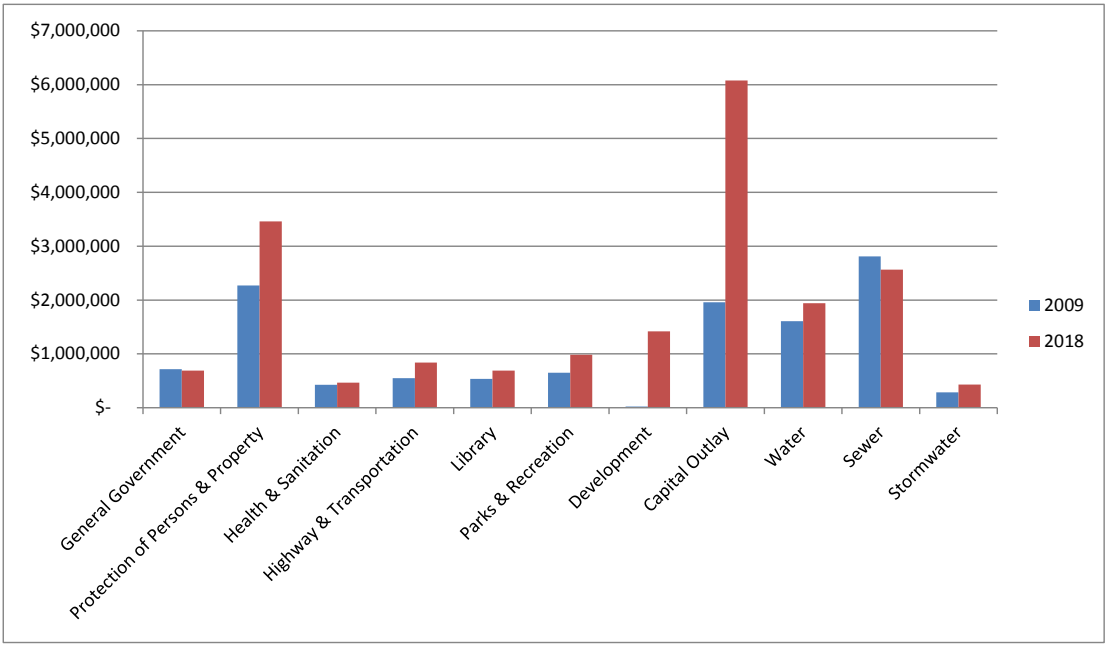
2009 $ 1.8841
2018 $ 1.9574

2009 $ 1.1665
2018 $ 0.3749

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.

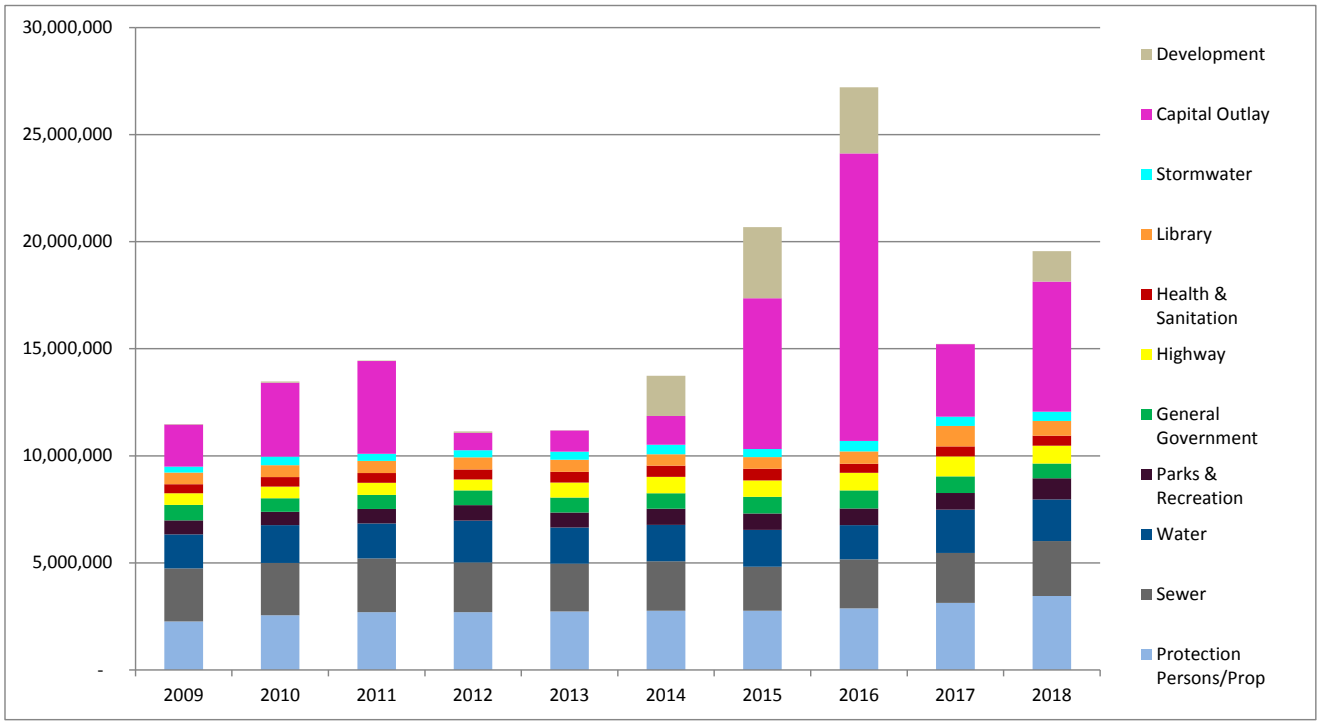
Following is a chart that compares the Village's operating expenses for 2018 with 10 years ago.



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. The increase in the past 10 years is the result of adding personnel and shifts to both fire and police.
- **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, as well as payments for downtown development and improvements.
- **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.

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 major projects. 2016 was especially high with the construction of the Civic Campus in addition to the Main Street reconstruction.
- Protection of Persons and Property has increased with the additions of shifts for the Sheriff's Department and the Fire Department.
- Development costs coincide with payments for TIF #6 in 2014, 2015, 2016 and 2018.

Sussex Fire Department

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 55 full-time equivalent employees, including 14 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:

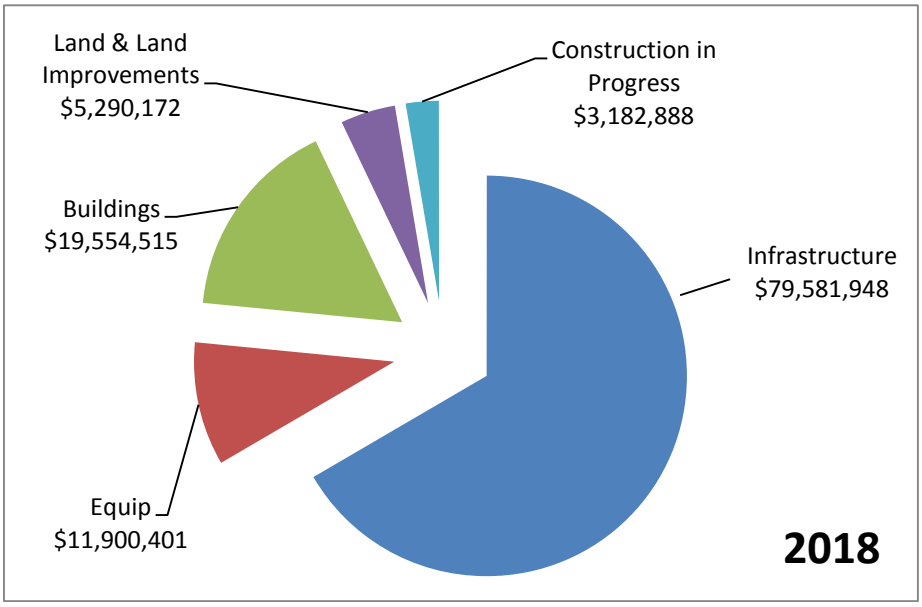
Protection of Persons & Property - Police	2018	2017	% Change
Calls for Service	5,289	5,470	-3.31%
Citations	2,195	2,475	-11.31%
Traffic Incidents	989	948	4.32%
Other Incidents	1,353	1,386	-2.38%
House/Building Checks	4,233	3,916	8.09%
Protection of Persons & Property - Fire			
EMS Calls	614	607	1.15%
Fire Calls	202	177	14.12%
Home Inspections (new program in 2017)	187	50	274.00%
Fire Inspections	1,245	1,173	6.14%
Protection of Persons & Property - Building Inspection			
Permits - Single Family Homes	78	14	457.14%
Permits - Multi-Family Buildings	-	2	-100.00%
Permits - Commercial/Industrial	18	6	200.00%
Permits - All Other	1,391	925	50.38%
Public Works Department			
Lane Miles of Roads Maintained	52	52	0.00%
Miles of Sidewalks Maintained	18.10	13.50	34.07%
Parks and Recreation Department			
Facility Rentals	476	385	23.64%
Acres of Parks Maintained	274	274	0.00%
Number of Playgrounds	11	11	0.00%
Community Special Events	21	21	0.00%
Participants Registered (Rec programs & spec events)	6,205	5,995	3.50%

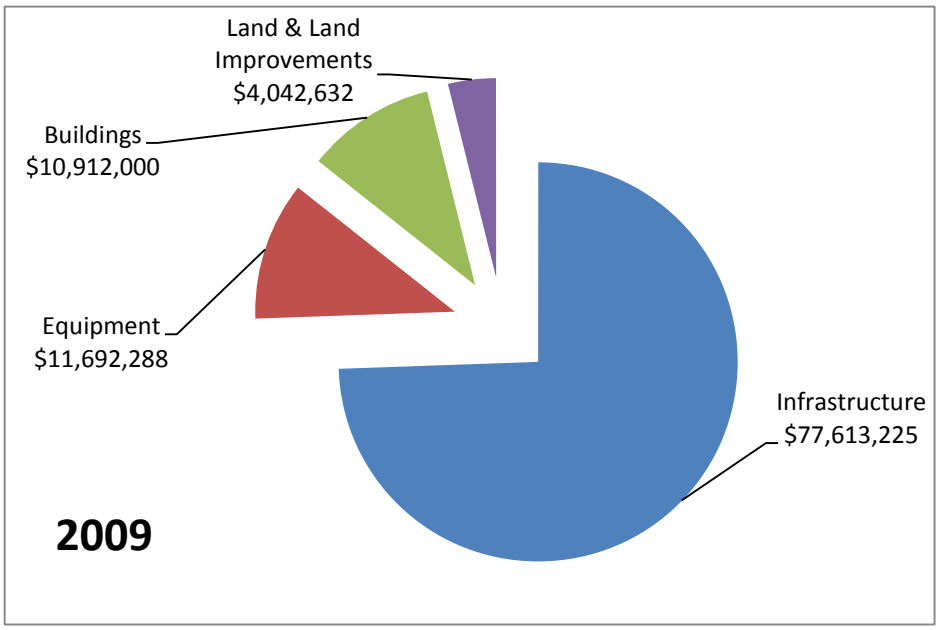
Bunny Lunch 2018

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 $119.5 million (net of depreciation) in capital assets across all departments and functions at the end of 2018.

What We Have





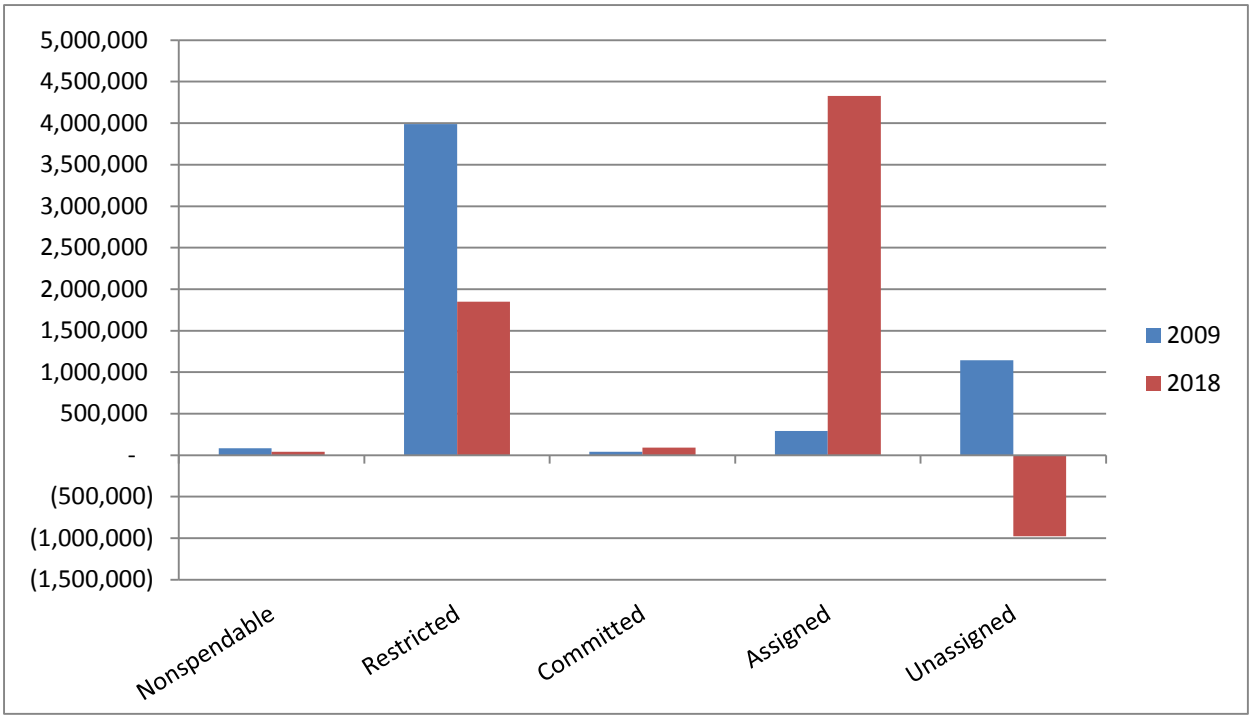
For comparison, the balances at year end 2018 are compared to year end 2009 above. The largest component, infrastructure, includes 52 miles of roads, as well as water, sewer and stormwater mains and the water towers and hydrants.

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, 2018, the Village has about $4.2 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. The 2018 balance increased about a $1.4 million from 2017. $900,000 of the increase was from a developer payment being set aside for the new fire vehicle in 2019.

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.

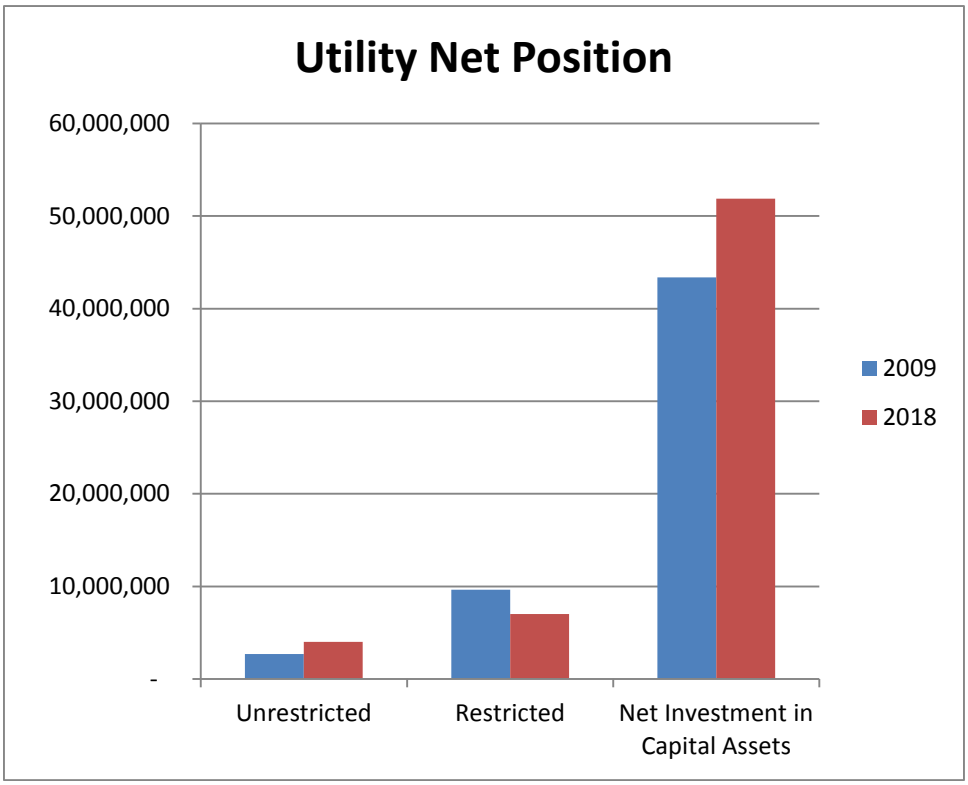
Within the Village's **General Fund** (the main operating fund of the Village, excluding utilities), equity is called Fund Balance and is classified using the following categories:

- **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.



Included in the 2018 Assigned Fund Balance is $4.2 million that has been set aside year after year to accumulate for replacement of equipment and facilities. Of this amount, $1,075,983 is budgeted to be used in 2019.

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:



82.5% of the Utilities' equity is tied to capital assets, which cannot easily be turned into cash to meet future needs.

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. During 2018, the Village's credit rating was increased to Aa2 for general obligation debt and remains at A1 for revenue bonds.

Depot Trailhead at Madeline Park

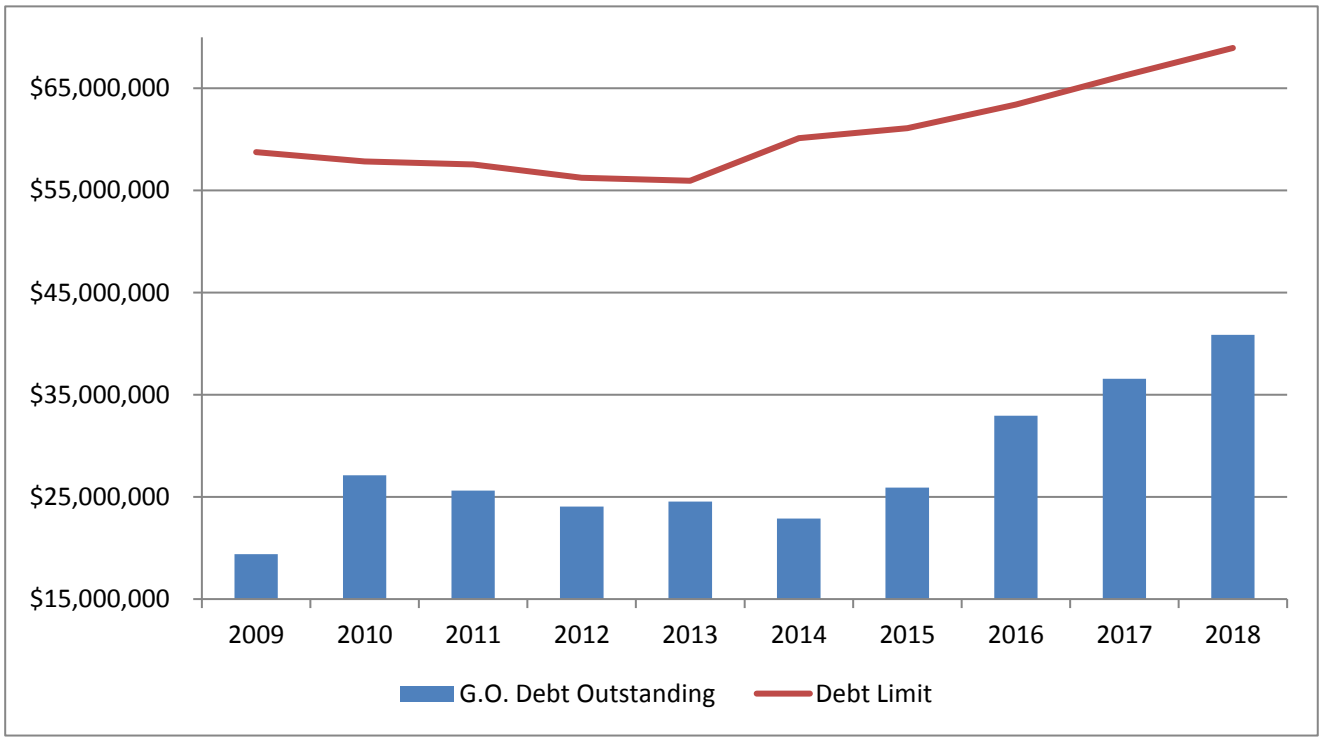
What We Owe

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.

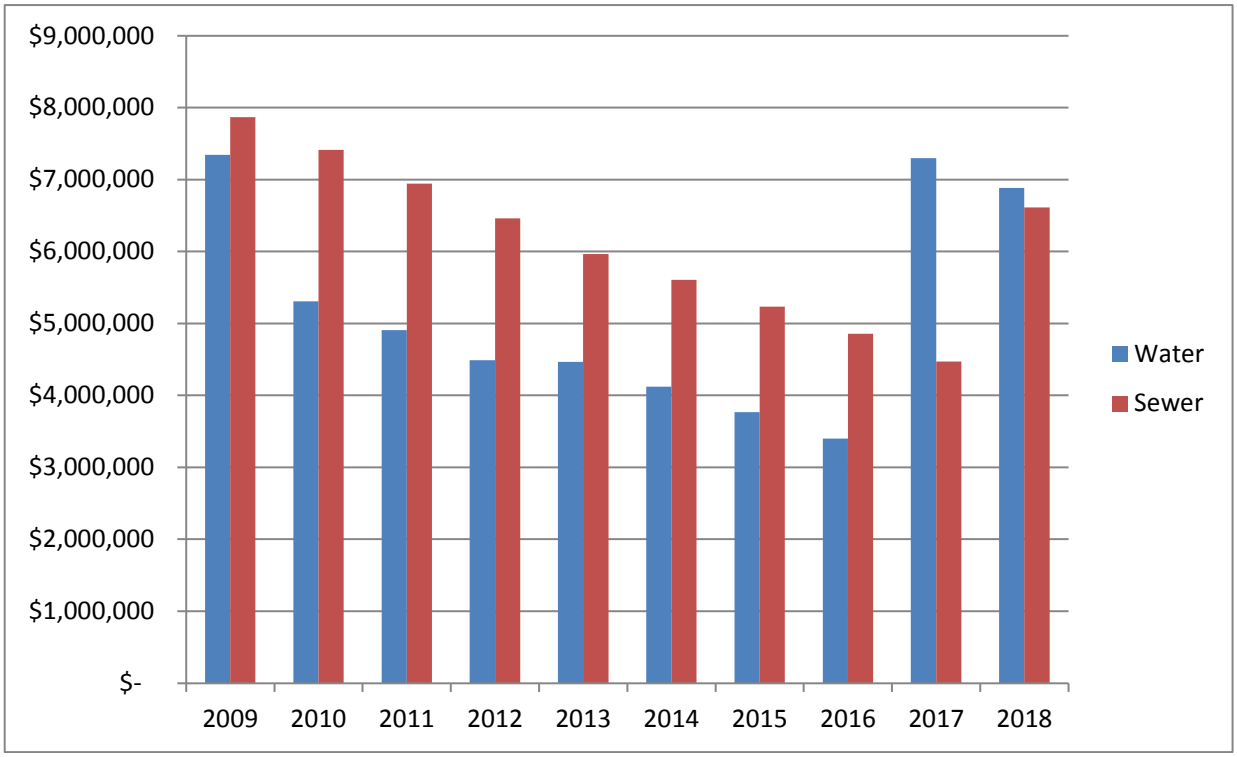
In general, the Village borrows every two to three years depending on the scheduled project in the CIP as well as the current interest rates. Debt issues are structured to maintain level payments over the life of the outstanding debt in order to avoid large fluctuations in the tax rate.

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 near or below 60% of the allowed limit.



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.

Utility Debt



Over the past 10 years, the Water Utility has known it would incur significant debt for radium treatment and took steps to reduce the existing debt before the 2017 borrowing. During 2018, the Water Utility incurred additional debt in the form of Revenue Bond Anticipation Notes (BANs) of $3,805,000 which are not included in the chart. Once the full effects of the 2019 rate increase take place, the BANs will be refunded with additional revenue bond debt. The Sewer Utility debt, prior to 2018, was for the wastewater treatment plant expansion in 2007. The repayment of this debt is shared with the communities that are served by the plant. There was a borrowing in 2018 to cover repairs to the clarifier and the backwash tanks associated with the radium treatment facilities. The tanks allow the flow to the sewer system to be controlled so that larger mains did not need to be installed.

Radium Treatment

Where We Are Going

Within the next 10 years, the population of the Village is expected to increase to about 17,000. The current CIP ends in 2020 with the completion of Maple Avenue reconstruction. The Village Board has taken that into consideration as last year they adopted the newest Village Capital Improvement Program (CIP) which runs from 2021-2030. Here is some of what is proposed during that decade for the Village.

Downtown Development

The Sussex Downtown will continue to grow, with a walkable center, adaptive reuse of older buildings, mixed uses, redevelopment of properties, and economic diversification and expansion. It is anticipated that 500 to 1,000 new residents will move into the Downtown area in the next decade, leaving the Village about 800 residents short of its 2,000 new Downtown resident goal that would drive retail strength. There is proposed to be a continued emphasis on Downtown special events and community-gathering activities to spur quality of life in the area.

Village Park Master Plan

The first phase of the Village Park Update includes the 2019/2020 addition of the new inclusive community playground, the community's first splash pad, pickleball courts, and shelter building for rentals and day camp program. The second phase will include a new ball diamond complex with a shop for parks operations. The remaining phase allows for Village Park to be rehabbed and updated by the middle part of the decade. The goal is that by the 75th anniversary of the park, the park will be completely updated and prepared for the needs of the community long into the future.

Village Buildings

The Public Works Garage will undergo an expansion, as set up in the 2005 building, to handle the growing service needs of the community, and the Public Safety Building will see some internal remodeling to reflect the staffing changes at the Fire Department. There will also be upgrades and maintenance at the various utility buildings. The biggest undertaking will be the expansion of the Library to accommodate the high levels of usage. The building will be connected to the Civic Center and enhanced to reflect the growth in the community at the back half of the 2020s.

Other Projects

Two residential subdivisions are starting in 2019, with additional phases to come in the future from previously started subdivisions. The Village will continue to see older neighborhoods transitioning to younger families. The Meissner Farm and Schultz Farm will likely be developed in the decade, and a new business park off STH 164 is likely. Industrial expansions are likely from existing businesses. The biggest challenge will be the retail presence in the community and where that goes with automation and home delivery.

Village Park Splash Pad

Village Park Inclusive Playground

Ancient Oaks Subdivision