

Annual
Financial Report to the Citizens
For the year ending December 31, 2020

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):** Funds established to encourage development by providing assistance to the developer.

Enterprise Funds that use Service Fees and Operate Like Private Businesses

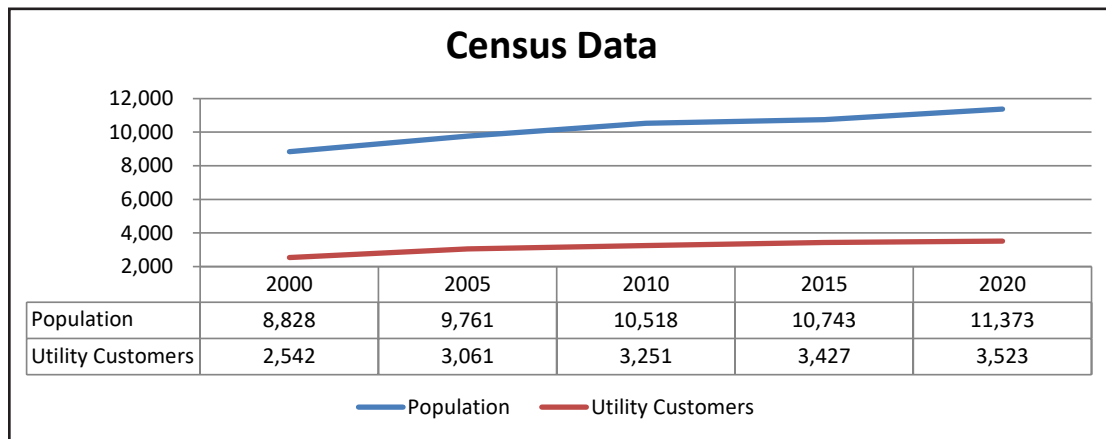
- **Water Utility:** Supplies safe drinking water to residents and businesses.
- **Wastewater (Sewer) Utility:** Treats all wastewater generated in Sussex, as well as parts of the Town of Lisbon/Lisbon Sanitary District, Lannon and Menomonee Falls.
- **Stormwater Utility:** Carries out the Village's Stormwater Management Plan and addresses the requirements of the Village's State Stormwater Discharge NR 216 permit.

If you have questions or comments about 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 to N64W23760 Main Street, Sussex, WI 53089.



Front Row: Trustee Greg Zoellick, Village President Anthony LeDonne, Trustee Stacy Riedel. Back Row: Trustees Ron Wells, Scott Adkins, Lee Uecker, and Ben Jarvis.

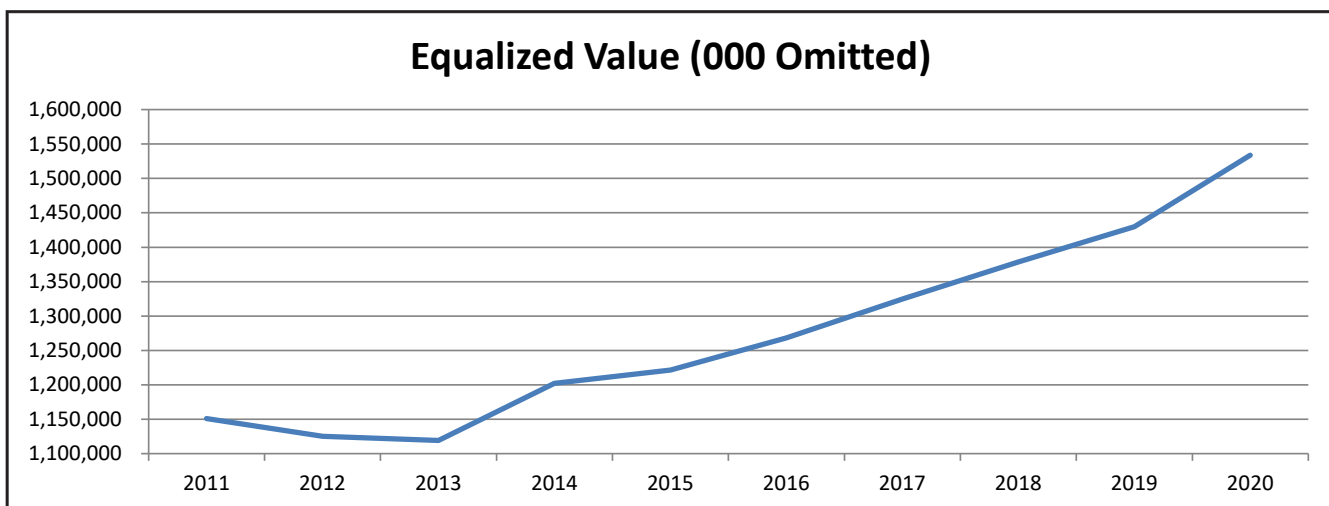
The Village of Sussex is a full service, mid-size village providing services that include fire and police protection; thoughtful development and economic growth; maintenance of the Village's infrastructure (roads, sidewalks, water, sewer and stormwater facilities); quality of life options such as parks,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



During the period shown, the population has increased 28.8% and the average number of utility customers has increased 38.6%

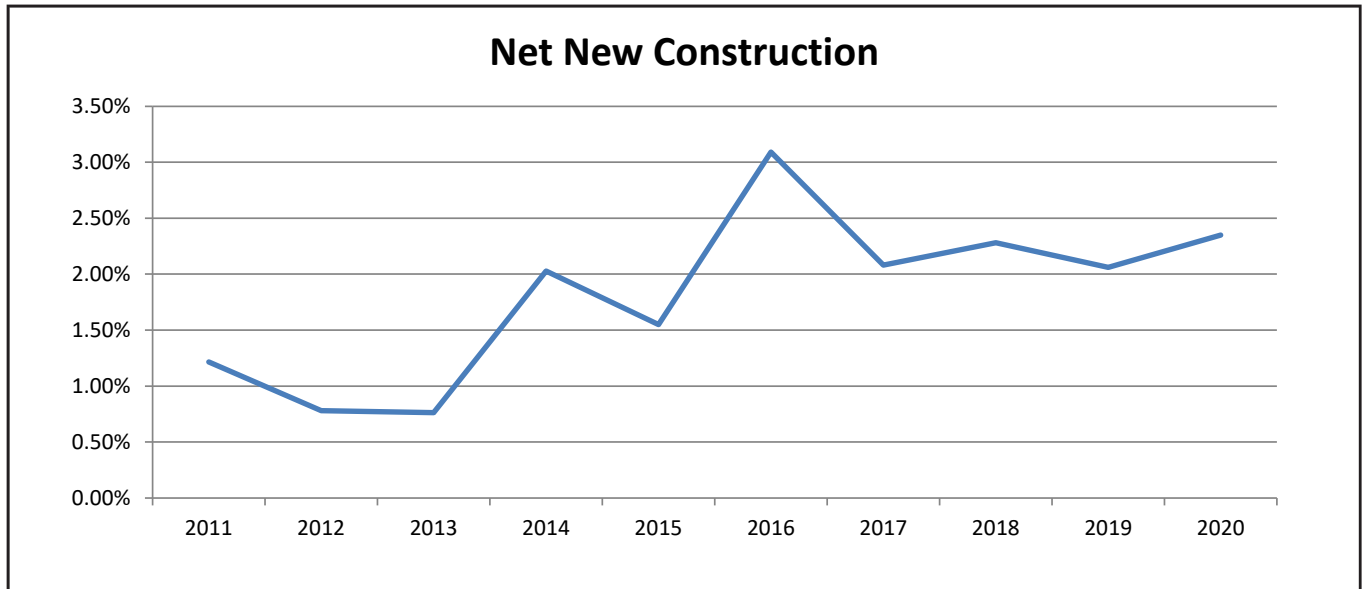
2020 saw 85 building permits issued for a total valuation of about \$44.9 million. About 73% of those permits were for single family homes as several subdivisions saw building begin in new phases and one subdivision opened up. There was 1 permit for a multi-family building at a value of \$7 million which is included in the above total. There were 22 permits issued for commercial or industrial properties at a value of just over \$20 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.



The Village has seen over 33.2% of growth in equalized value over the past 10 years, as shown above, after the great recession saw values decline until 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>



Dunkin Donuts/Baskin Robbins



The Courtyard at Sussex

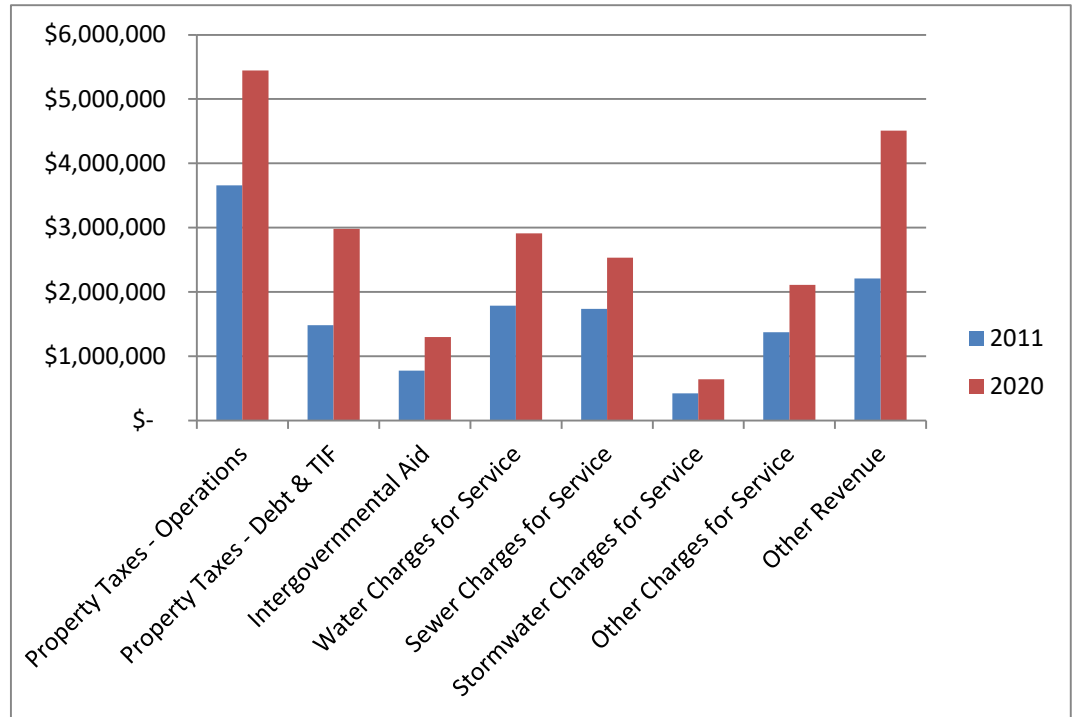
Many businesses call the Village of Sussex home and provide employment opportunities for our residents. Several of these businesses are also among the largest taxpayers in the Village.

MAJOR EMPLOYERS		
Employer	Business Services	Employees
Quad/Graphics, Inc.	Printer	2,600
Amazon	Retail	365
Beer Capital Distributing	Distributor	340
Sussex IM	Custom plastic molder	340
Nature's Path	Manufacturer of organic cereal	250
Sharp Packaging	Plastic products	211
Meijer	Retail	189
Pick 'N Save	Grocer	163
Hamilton School District	Elementary and secondary education	132
Power Test Inc.	Manufacturer of testing equipment	127

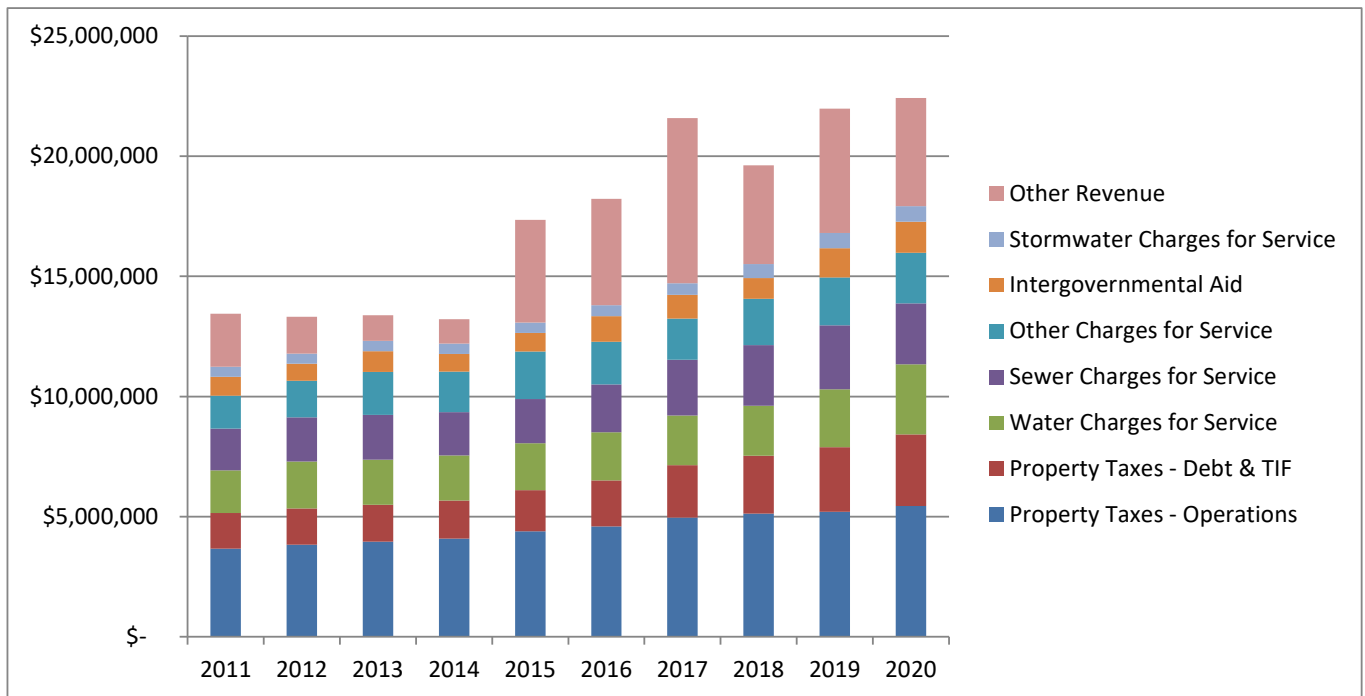
LARGEST TAXPAYERS		
Taxpayer	2020 Assessed Value	Percent of Total Assessed Valuation
Quad/Graphics, Inc.	\$48,729,800	3.35%
Mammoth Spring Apartments	\$39,347,800	2.70%
Meijer Stores	\$18,806,800	1.29%
Beer Capital Distributing	\$14,975,300	1.03%
Seasons Apartments	\$14,096,800	.97%
Maple Creek/Grove Apts	\$11,768,800	0.81%
Sussex IM	\$9,701,400	0.67%
GPT Sussex Owner LLC (Amazon)	\$8,741,400	0.60%
Exchangeright Net Leased Portfolio (McAdams Realty)	\$8,664,500	0.60%
Stantine-Silver Spring WI Properties (Sharp Packaging)	\$8,321,100	0.57%
Top 10 TOTAL	\$183,153,700	12.59%
TOTAL ASSESSED VALUE FOR 2020	\$1,454,938,300	

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 RCA payments.

Where the Money Comes From

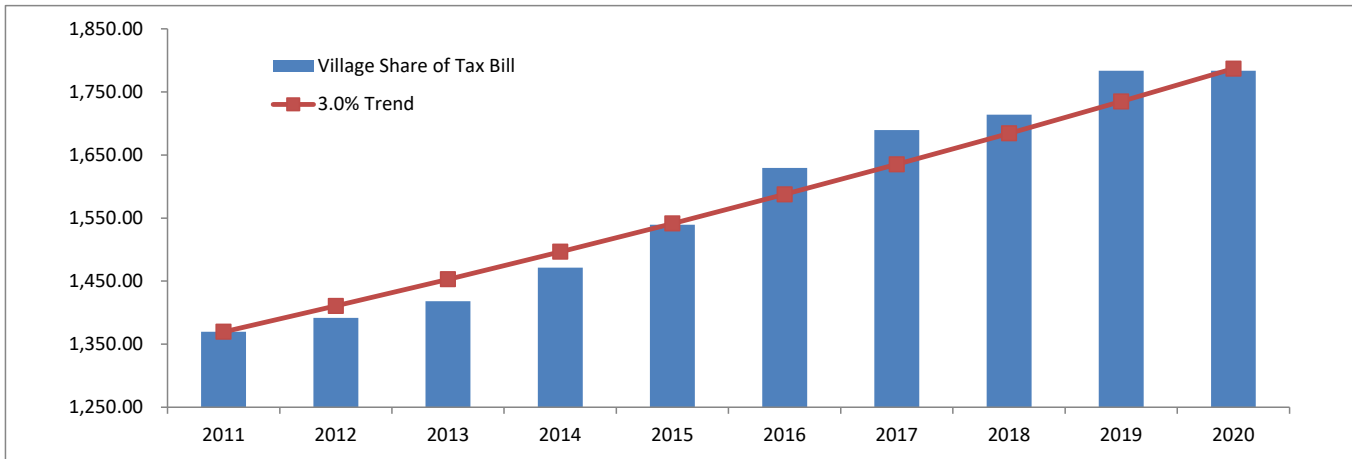


A 10-year comparison of these same revenue sources follows:



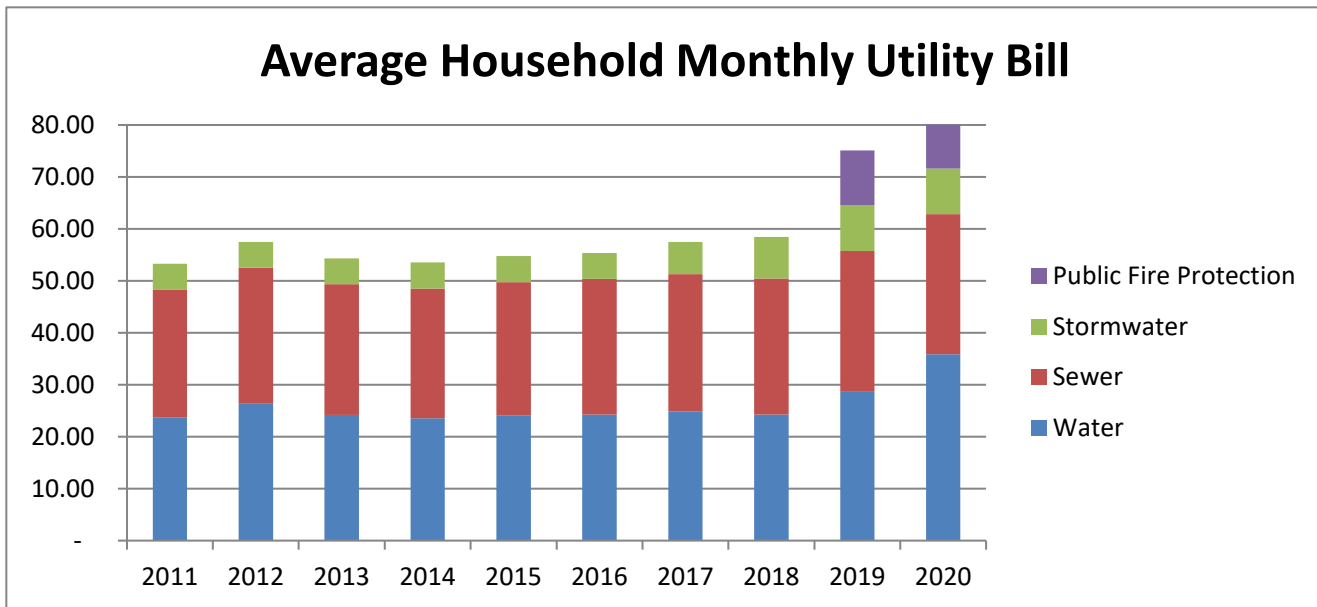
In 2010, the average home value used for comparing residential taxes year after year was \$300,000. Since that time, the value has fluctuated based on annual reassessments. In the following chart, the value used for the average home was \$292,500 in 2011 and \$318,850 in 2020.

Over the past 10 years, the Village share of the property taxes on the average home value is as follows:



Since 2011, the overall tax bill has increased at a rate of 3.0%. One main driver of this increase has been for debt service as we have taken on many major projects during the past 10 years; however, the Board was able to maintain the same Village share of the tax bill in 2020 as in the prior year despite an increase in debt.

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. In 2019, the utilities changed to a monthly billing cycle. All prior years were converted for comparability. In 2019, the charge for public fire protection was converted to a direct charge to customers and is shown as a separate charge.



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. In 2019, the Stormwater Utility implemented the final 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 shows the history of rates based on a single-family residence. Bolded rates are the years when there was a rate increase.

Year Ended December 31,	WATER			SEWER		STORM
	Volume Charge per 1,000 gal of water	Service Charge	Public Fire Protection	Volume Charge per 1,000 gal of water	Service Charge	Service Charge
2011	2.56	10.50	-	4.22	5.56	5.00
2012	2.75	10.50	-	4.37	5.75	5.00
2013	2.75	10.50	-	4.50	5.92	5.00
2014	2.83	10.82	-	4.64	6.10	5.00
2015	2.83	10.82	-	4.78	6.28	5.00
2016	3.05	11.00	-	4.92	6.47	5.00
2017	3.05	11.00	-	4.97	6.54	7.32
2018	3.14	11.33	-	5.09	6.70	8.04
2019	3.71	12.50	10.55	5.14	6.77	8.76
2020	4.55	13.00	11.45	5.14	4.77	8.76

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

2011 \$ 4.7311
2020 \$ 5.5923



2011 \$10.3523
2020 \$ 8.9089

Arrowhead School District



2011 \$11.7096
2020 \$7.9822



2011 \$2.0548
2020 \$1.859



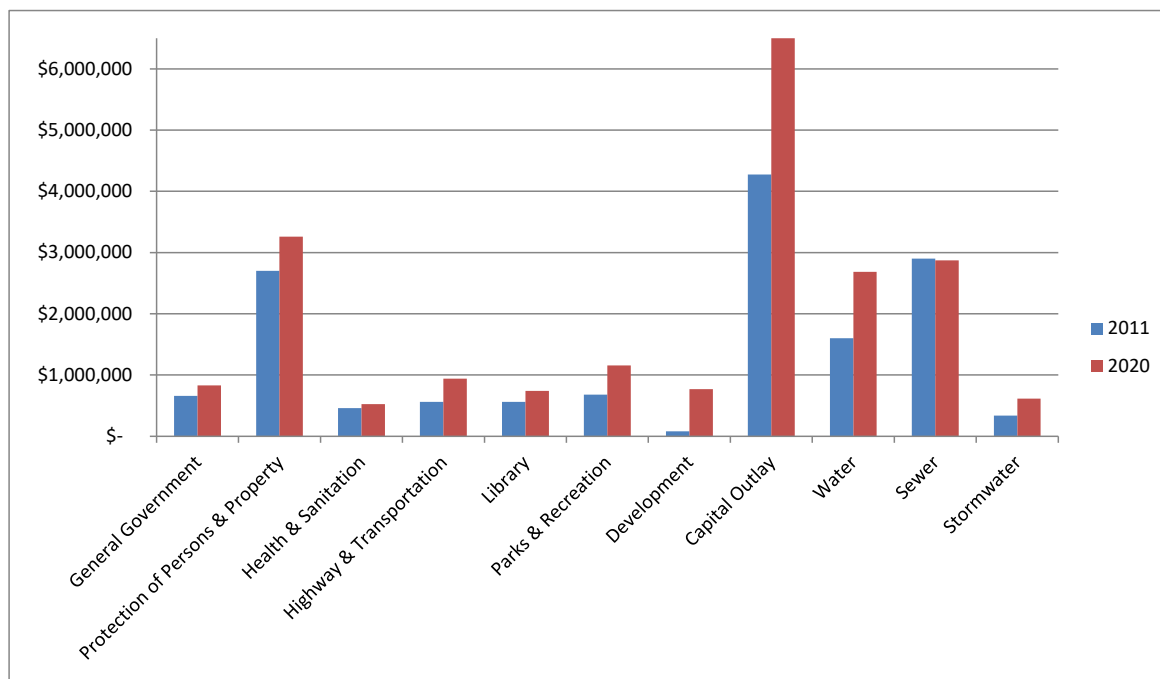
**WAUKESHA
COUNTY TECHNICAL
COLLEGE**

2011 \$ 1.2787
2020 \$ 0.3704

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 2020 with 10 years ago.

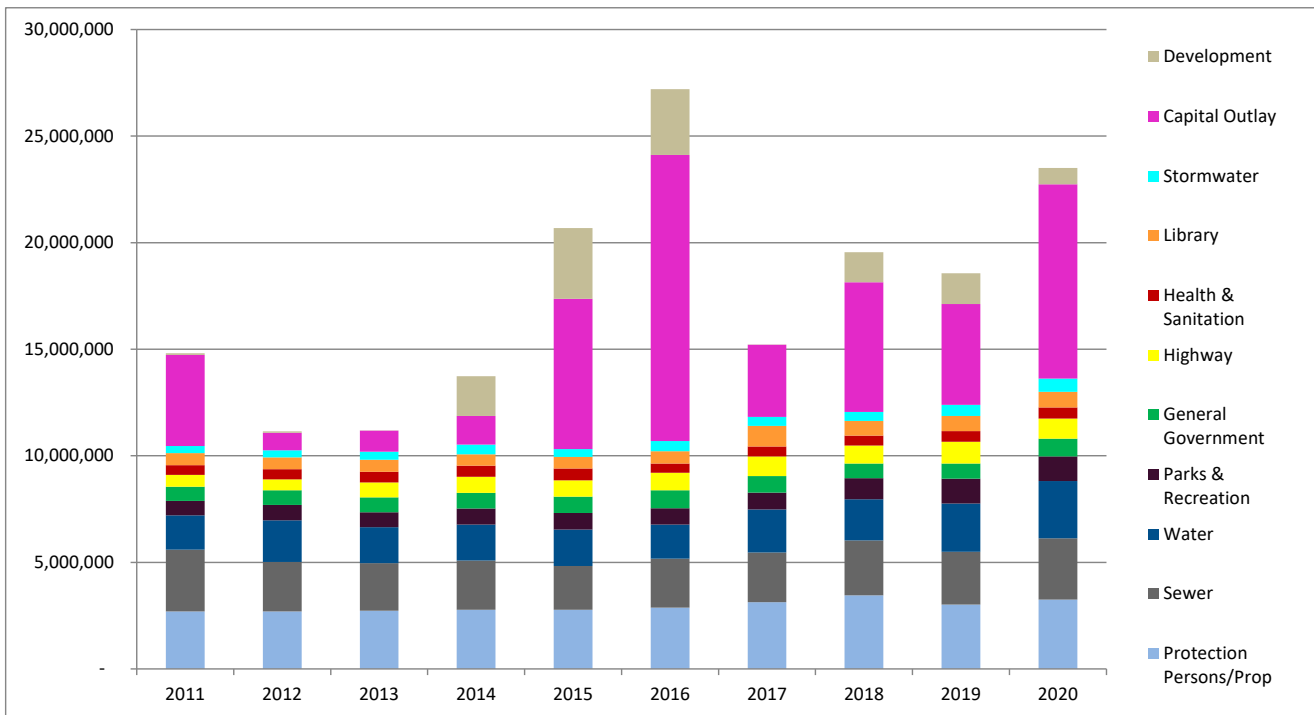
Where the Money Goes



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 and capital 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 included construction of the Civic Campus and Main Street reconstruction. 2020 included the Maple Avenue reconstruction. Portions of the Maple Avenue also increased the expenses of the utilities as repairs were made.
- Development costs coincide with payments for TIF #6 in 2014, 2015, 2016 and 2018 and TIF #7 in 2019 and 2020.



Kwik Trip at Highlands Business Park

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:

	2020	2019	% Change
Protection of Persons & Property - Police			
Calls for Service	6,071	6,211	-2.25%
Citations (see note)	1,372	2,191	-37.38%
Traffic Incidents (see note)	737	996	-26.00%
Other Incidents	1,599	1,573	1.65%
House/Building Checks	4,945	4,464	10.78%
Protection of Persons & Property - Fire			
EMS Calls	621	687	-9.61%
Fire Calls	220	184	19.57%
Fire Inspections	885	984	-10.06%
Protection of Persons & Property - Building Inspection			
Permits - Single Family Homes	62	50	24.00%
Permits - Multi-Family Buildings	1	-	
Permits - Commercial/Industrial	22	6	266.67%
Permits - All Other	1,558	1,408	10.65%
Public Works Department			
Lane Miles of Roads Maintained	54	53	1.89%
Miles of Sidewalks Maintained	23.37	19.27	21.28%
Parks and Recreation Department			
Acres of Parks Maintained	274	274	0.00%
Number of Playgrounds	11	11	0.00%
Community Special Events (see note)	10	25	-60.00%
Registered Participants (Rec prog & spec events) (see note)	2,447	6,313	-61.24%

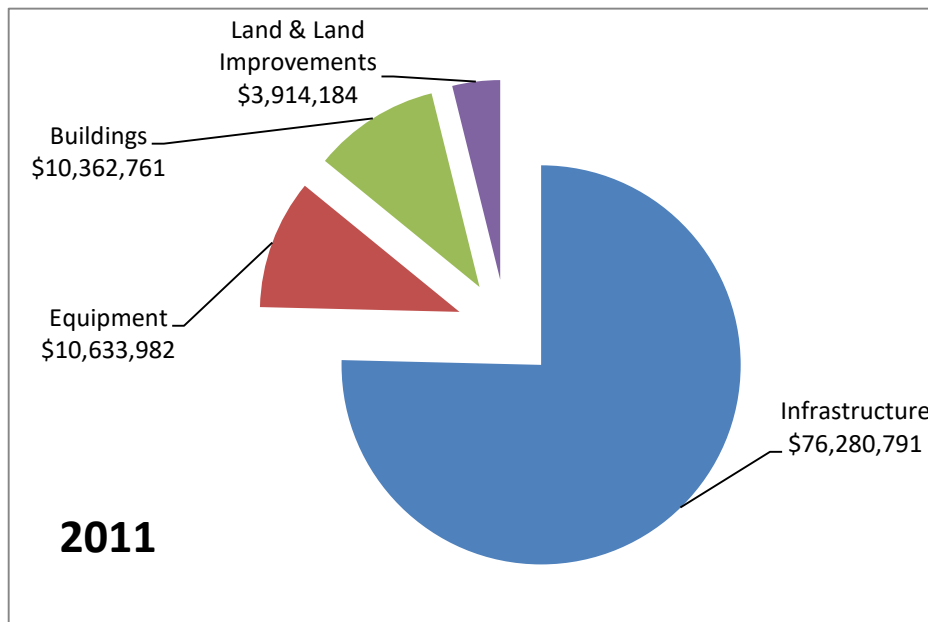
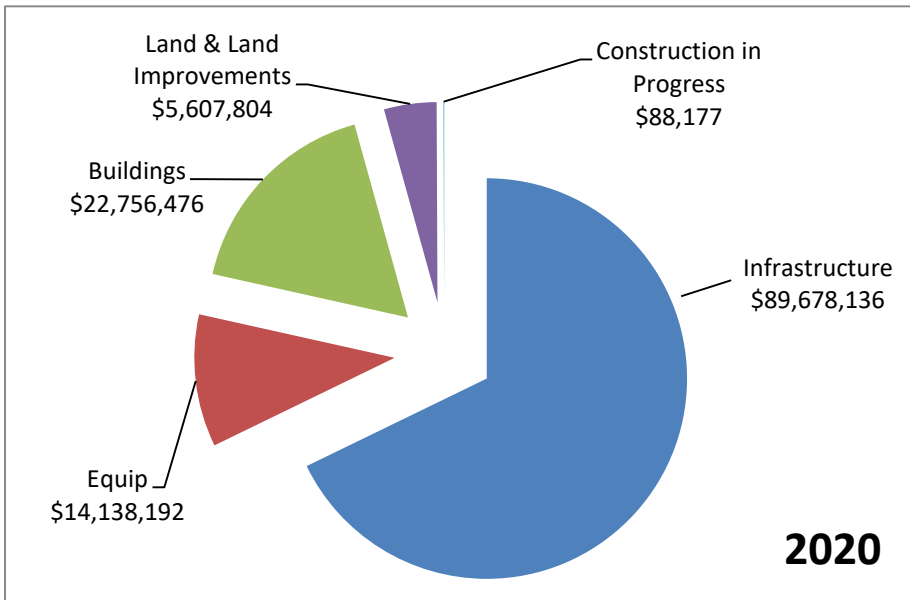
Note: These numbers in 2020 were affected by the COVID-19 pandemic Forcing shutdowns and limiting interactions with citizens.



Sledding Party at Village Park

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 \$132.3 million (net of depreciation) in capital assets across all departments and functions at the end of 2020.



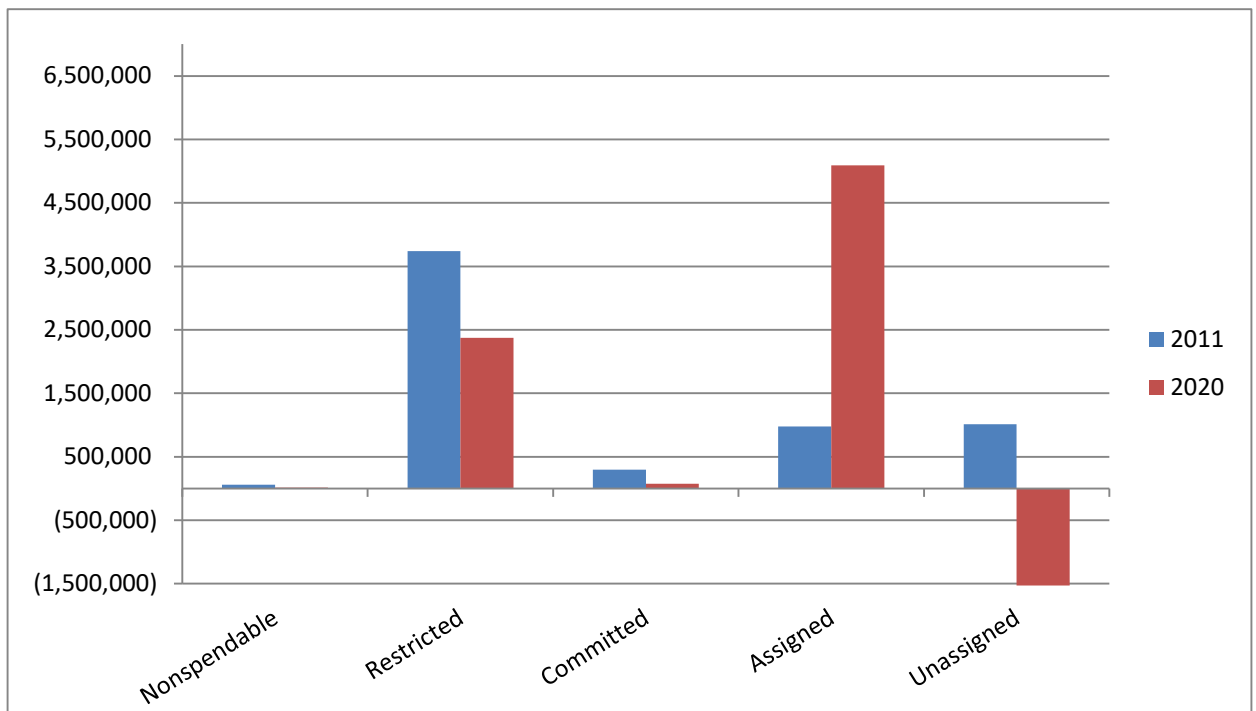
For comparison, the balances at year end 2020 are compared to year end 2011 above. The largest component, infrastructure, includes 54.3 miles of roads, as well as water, sewer and stormwater mains and the water towers and hydrants.

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 for major projects. As of December 31, 2020, the Village has set aside about \$4.4 million 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 2020 balance increased about \$1.2 million from 2019. The increase is due to approximately \$500,000 of surplus from 2019 being added to the balance, as well as the annual amounts budgeted to replacement. In 2021, the Village Board approved allocating about \$360,000 of 2020 surplus to replacement.

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.

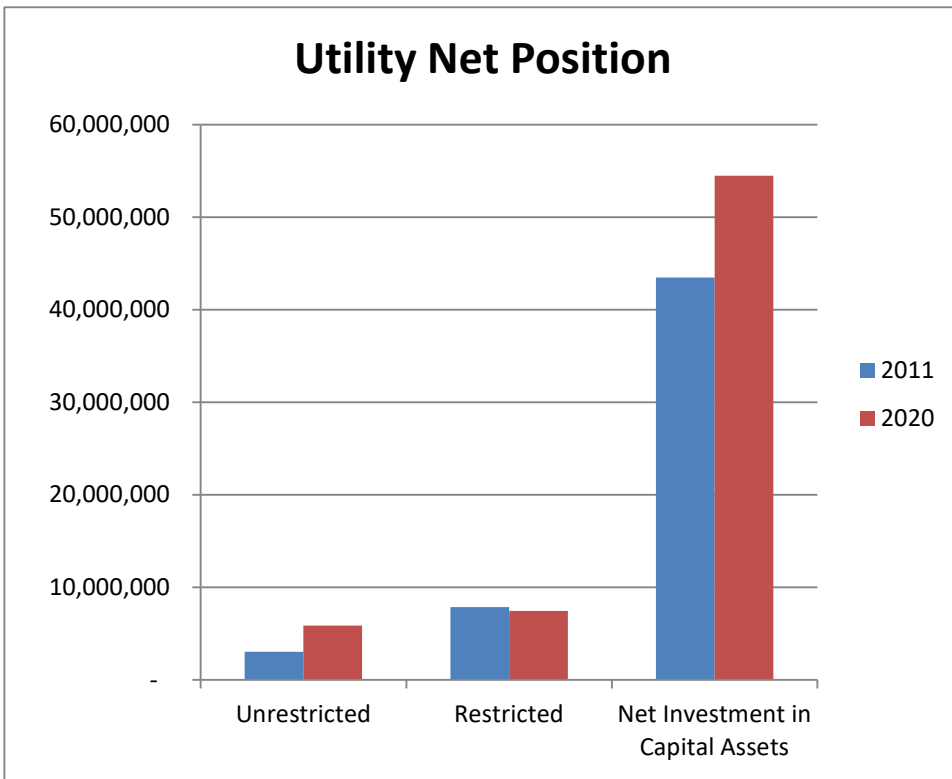
Within the Village’s **General Fund** (the main operating fund of the Village, excluding utilities), equity is called Fund Balance and is classified using the following categories:

- **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



Included in the 2020 Assigned Fund Balance is \$4.4 million that has been set aside year after year to accumulate for replacement of equipment and facilities. The unassigned balance is negative due to both TIF districts incurring expenses during the construction phase, which will be covered with future tax increments.

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 10 years ago:



80.3% 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. The Village's credit rating remains at Aa2 for general obligation debt, Aa3 for Sewer and Stormwater Utility revenue bonds and A1 for Water Utility revenue bonds.



The Grove at Village Park

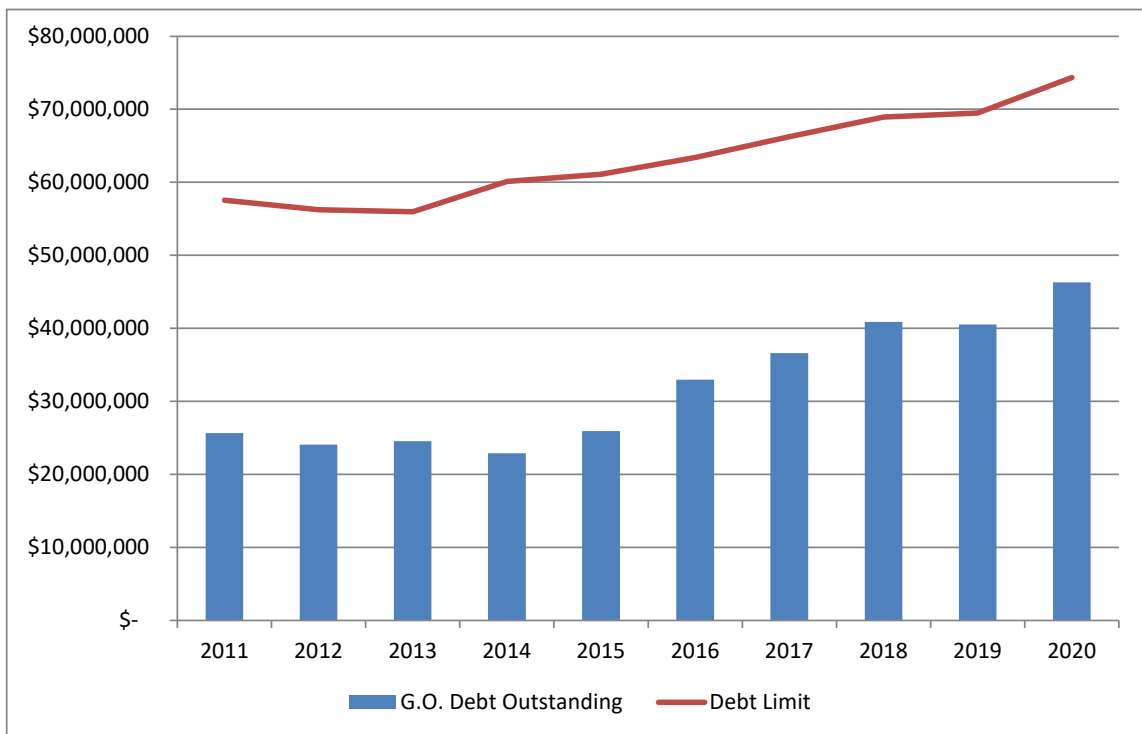
It is the Village's practice to issue debt for projects that cannot be financed from current revenues or reserves. Debt is paid back within a period of time not to exceed the useful life of the project being funded, which, in general, is at or below 20 years.

What We Owe

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.

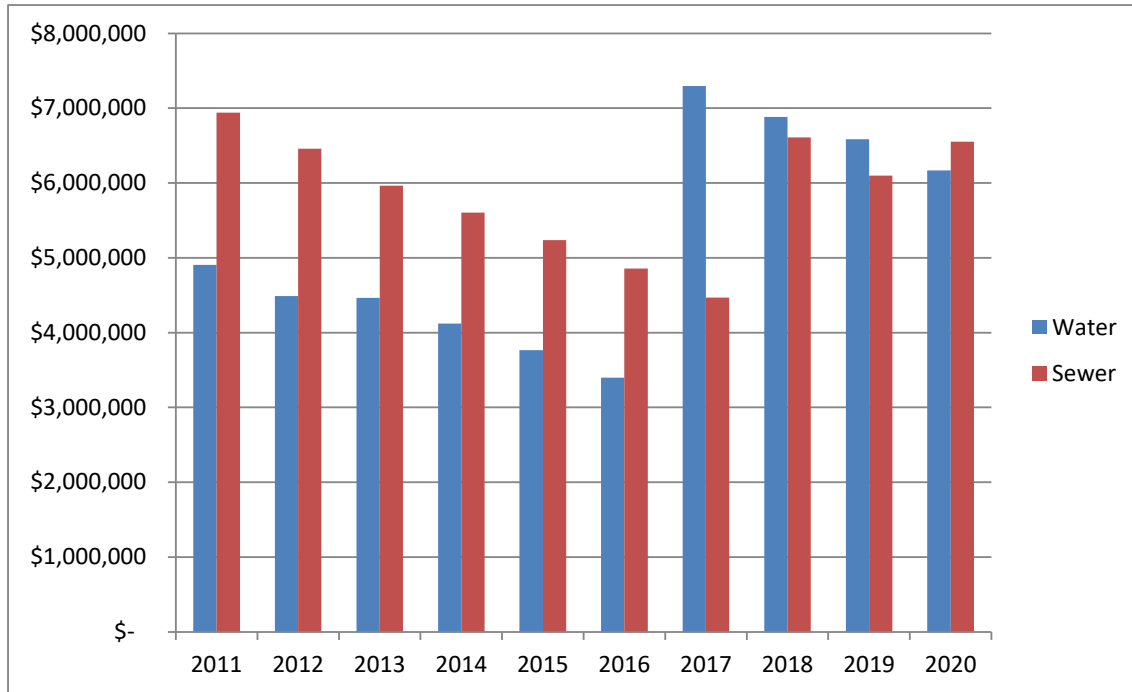
In general, the Village borrows every two to three years depending on the scheduled project in the CIP, as well as the current interest rates. Debt issues are structured to maintain level payments over the life of the outstanding debt in order to avoid large fluctuations in the tax rate.

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 60% of the allowed limit until the 2020 borrowing, which pushed us to 62.3% of the limit; however, the 2020 borrowing was for the last arterial road reconstruction, so future borrowing will be less.



Utility Debt

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.



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 and 2019, the Water Utility incurred additional debt in the form of Revenue Bond Anticipation Notes (BANs) of \$5,105,000 which are not included in the chart. Once the full effects of the 2019 and 2020 rate increases 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.



Radium Treatment

Where We Are Going

Within the next 10 years, the population of the Village is expected to increase to about 17,000 and the Village will reach its boundary limit with the Town of Lisbon. This makes the decade incredibly important to address the needs of that growth and provide the Village with a sustainable future. Here are some of the changes for the next decade.

Downtown Development

The Sussex Downtown continues to adjust with a walkable center, new construction, re-use of older buildings and economic revitalization. About 1,000 new residents have, or will, move into the downtown, adding to a core base to support downtown retail. There will be a continued emphasis on downtown special events and community gathering to spur a quality of life for the community.

Village Park Master Plan

With The Grove completed, the rest of the Village Park update will occur over the decade, with a goal that the park has been refreshed and ready to meet the needs of a community of 17,000 by the 75th Anniversary of the Park.

Village Infrastructure

The Village will focus on the sustainable roadway and utility infrastructure maintenance to ensure 13–15 year cycles with 60-plus year life spans for the most efficient use of resources and quality of experience for the residents. The goal over the next decade is get to a place where these costs are built into the annual budget so as to avoid long-term borrowing once growth is done. At the end of the decade there may be need for one more well in the water system, but the Wastewater treatment is sized for Village needs (the plant will double in size for growth in Menomonee Falls).

Other Projects

The Village will continue to see older neighborhoods transition to younger families, driving the median age further younger. The last farmland of the Village will develop over the next decade (along Plainview Road) and along STH 164. Some infill projects will remain to develop. Some type of transition on commercial properties will likely occur as that market adjusts to new shopping behaviors. You'll see some industrial expansions, but no new business parks, as there is no land to develop on. By the end of the decade you will see a significant shift in staffing, as positions move from growth mode to maintenance mode and the different needs therein are addressed.



Civic Center Ice Rink



The Grove Ribbon Cutting Ceremony



Maple Avenue Reconstruction

