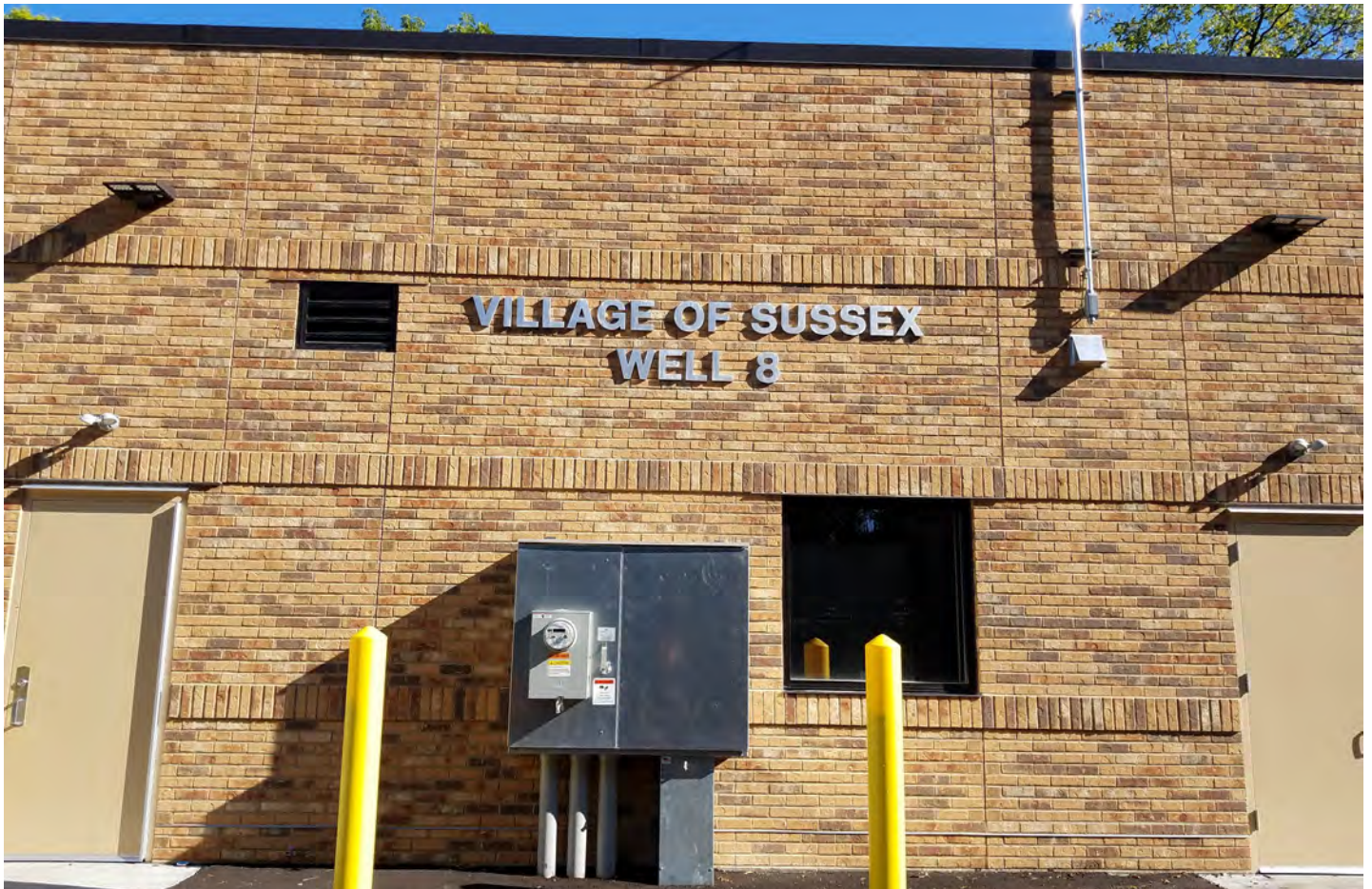




*Annual*  
**Financial Report  
to the Citizens**



*For the year ending December 31, 2019*

## 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](http://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

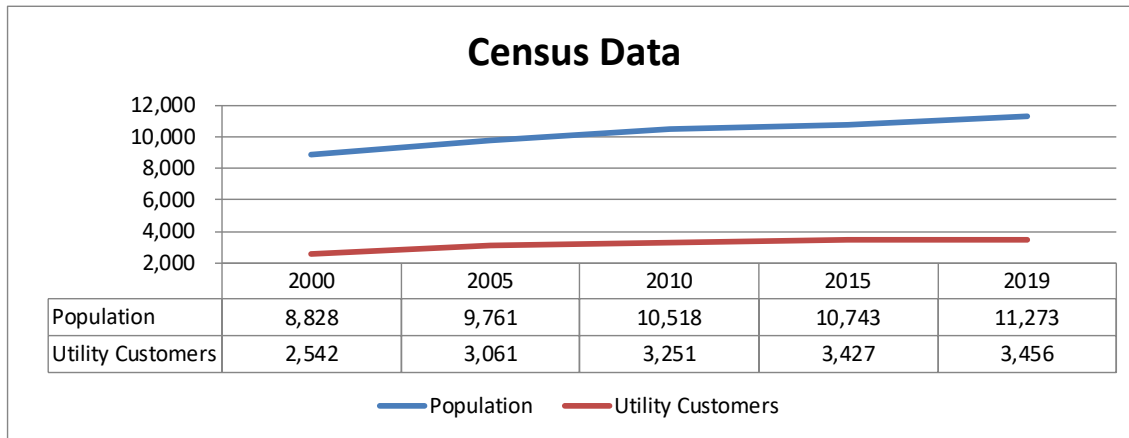
- **Water Utility:** Supplies safe drinking water to residents and businesses.
- **Wastewater (Sewer) Utility:** Treats all wastewater generated in Sussex, as well as parts of the Town of Lisbon/Lisbon Sanitary District, Lannon and Menomonee Falls.
- **Stormwater Utility:** Carries out the Village's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

If you have 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](mailto:nwhalen@villagesussex.org); by phone (262) 246-5225; or by mail N64W23760 Main Street, Sussex, WI 53089.



Splash Pad at The Grove at Village Park

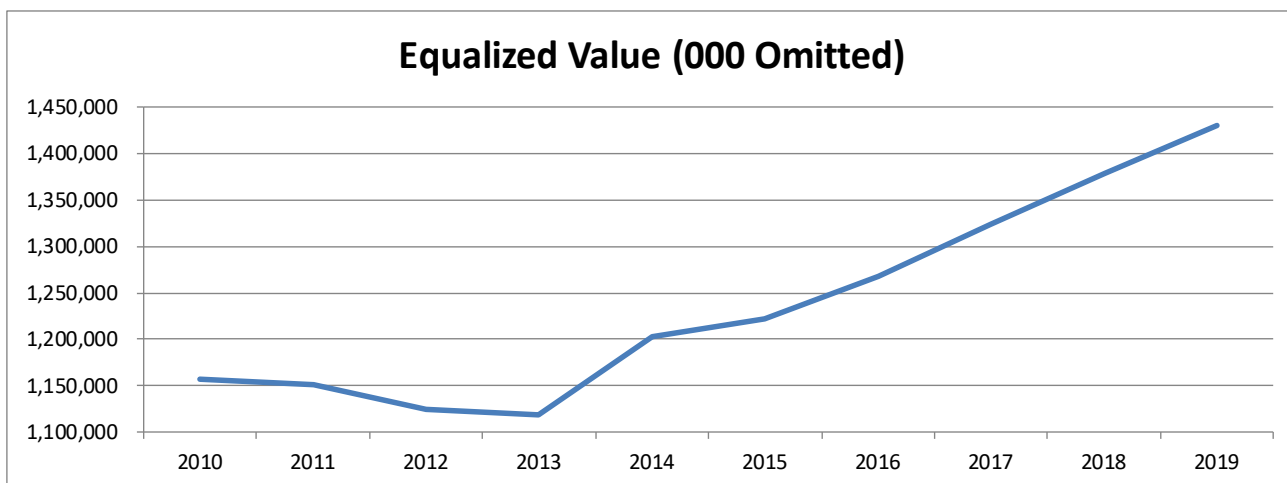
The Village of Sussex is a full-service, mid-size village providing services that include fire and police protection; thoughtful development and economic growth; maintenance of the Village's infrastructure (roads, sidewalks, water and sewer mains); quality of life options, such as parks, recreation,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



*During the period shown, the population has increased 27.7% and the average number of utility customers has increased 35%.*

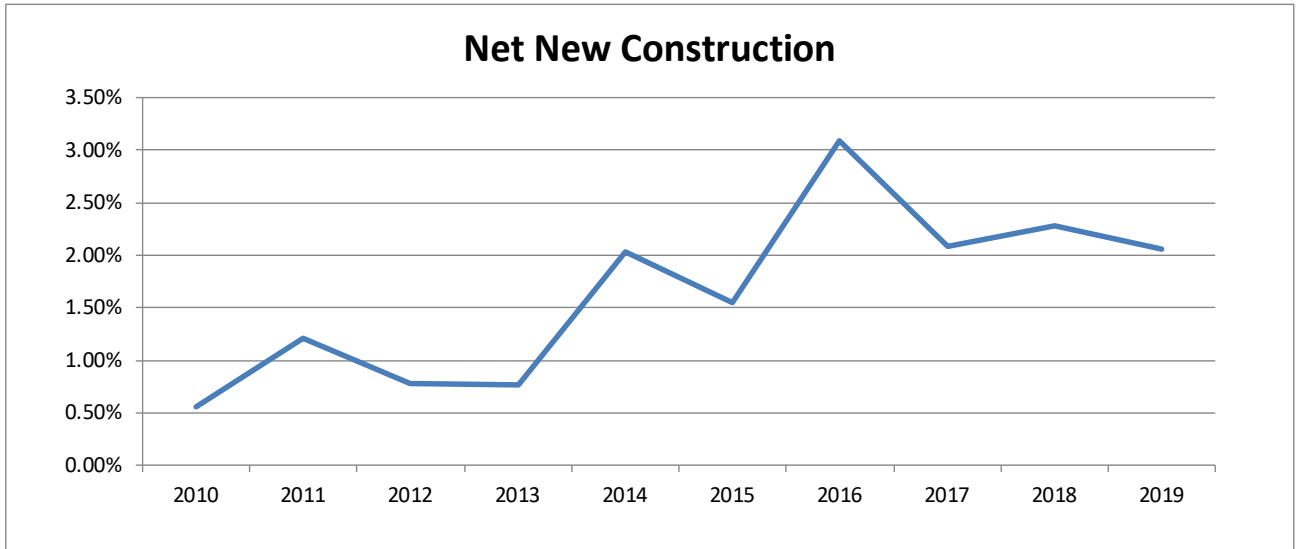
2019 saw 56 building permits issued, for a total valuation of about \$20.5 million. The majority of those permits were for single-family homes and condos, as three subdivisions saw building begin. There were six permits issued for commercial or industrial properties at a value of just under \$7 million, 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 23.6% of growth in equalized value over the past 10 years, as shown above, after the great recession saw values decline from 2010 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>***



Froedtert Sussex Medical Clinic



Ascension Medical Clinic at Mammoth Springs



Prestwick Group Expansion

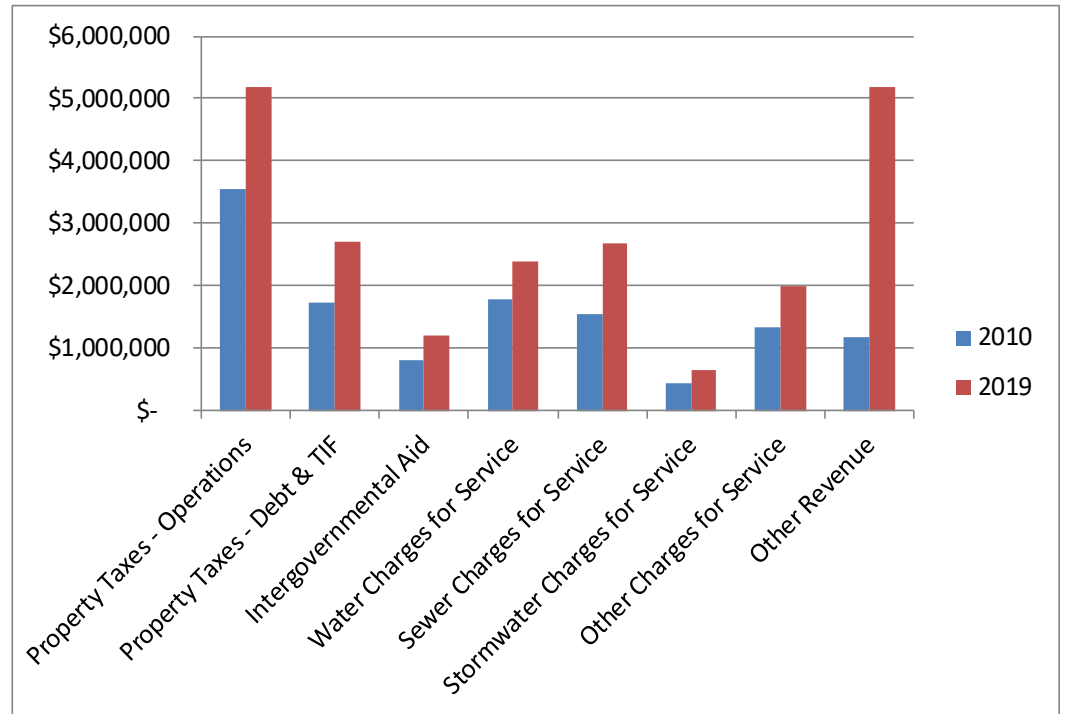
Many businesses call the Village of Sussex home and provide employment opportunities for our residents. Several of these businesses are also among the largest taxpayers in the Village.

<b>MAJOR EMPLOYERS</b>		
<b>Employer</b>	<b>Business Services</b>	<b>Employees</b>
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

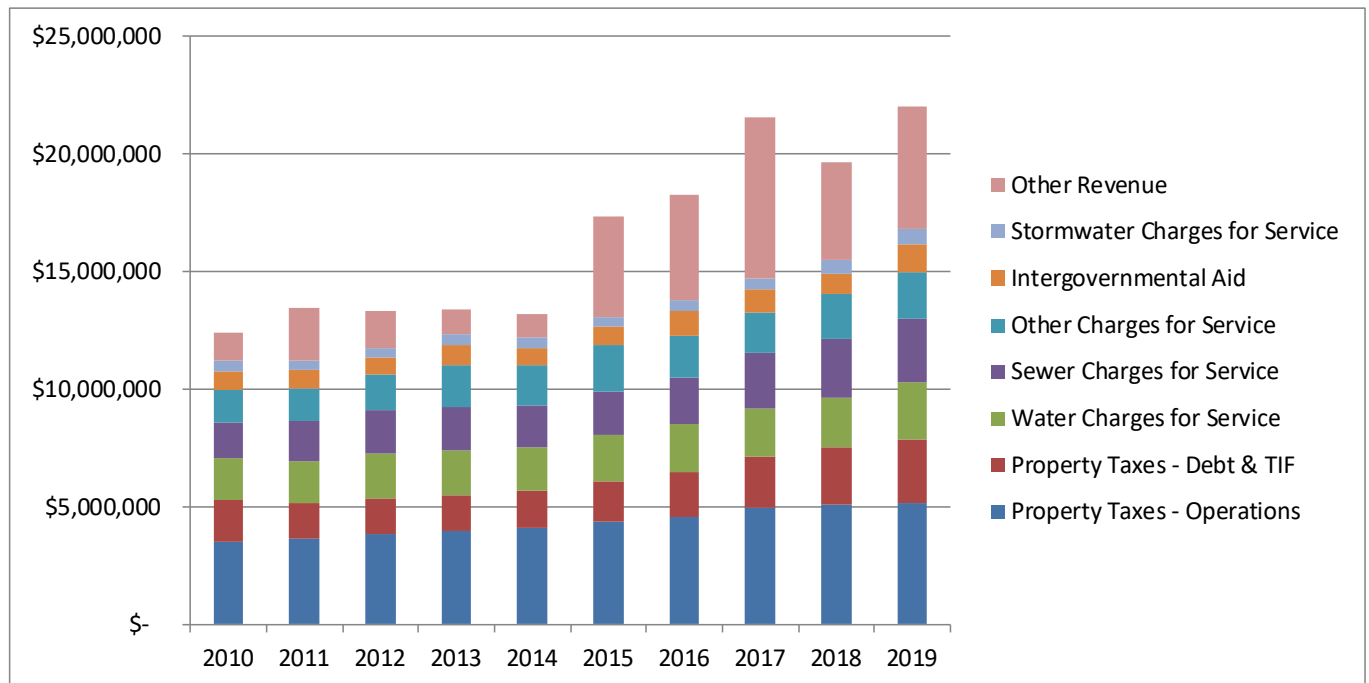
<b>LARGEST TAXPAYERS</b>		
<b>Taxpayer</b>	<b>2019 Assessed Value</b>	<b>Percent of Total Assessed Valuation</b>
Quad/Graphics, Inc.	\$40,556,700	2.94%
Mammoth Spring Apartments	\$36,006,100	2.61%
Meijer Stores	\$15,087,500	1.09%
Beer Capital Distributing	\$14,030,900	1.02%
Seasons Apartments	\$13,339,800	.97%
Maple Creek/Grove Apts	\$11,164,500	0.81%
Sussex IM	\$9,165,400	0.66%
McAdams Realty	\$8,778,500	0.64%
GPT Sussex Owner LLC	\$8,653,000	0.63%
Sharp Packaging	\$7,964,900	0.58%
<b>Top 10 TOTAL</b>	<b>\$164,747,300</b>	<b>11.93%</b>
<b>TOTAL ASSESSED VALUE FOR 2019</b>	<b>1,380,378,800</b>	

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, treatment plant capacity purchased and RCA payments.

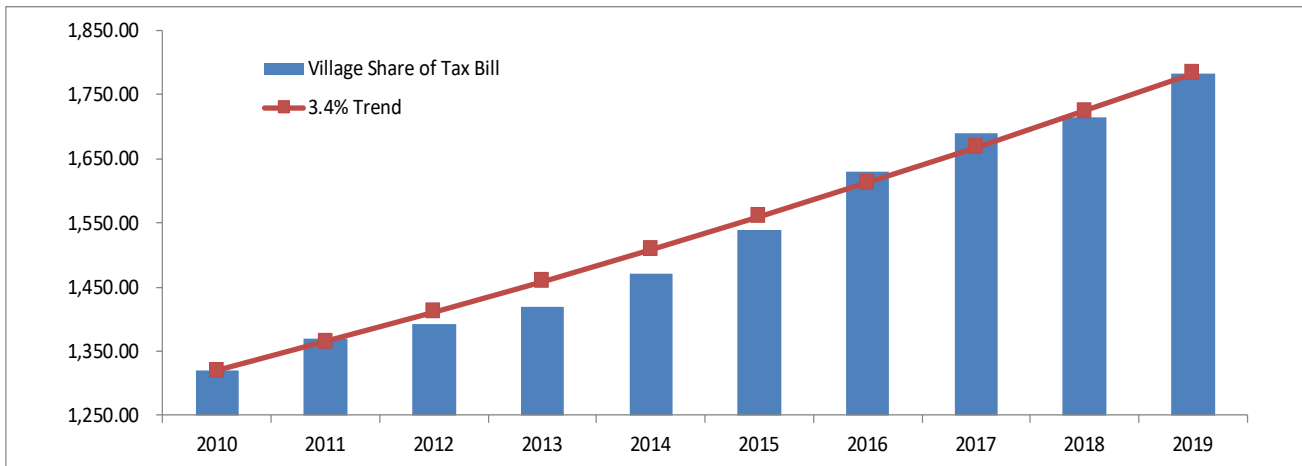
## Where the Money Comes From



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

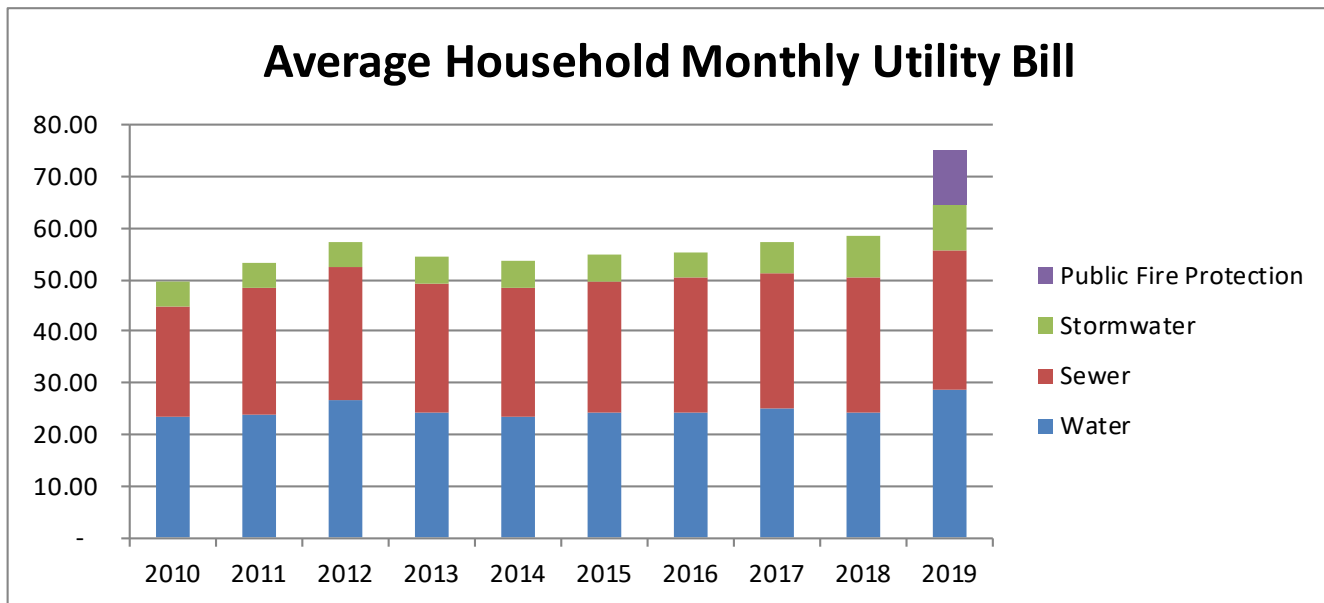


When comparing residential taxes from year to year, \$300,000 is the average home value used. With changes in the economy, that home value fluctuates from year to year based on annual reassessments. Over the past 10 years, the Village share of the property taxes on the average home value is as follows:



Since 2010, the overall tax bill has increased at a rate of 3.4%. One main driver of this increase has been for debt service as we have taken on many major projects during the past 10 years. In addition, we have seen operational costs increase as the Village grows.

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 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 Unites) 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
2010	<b>2.56</b>	10.50	-	<b>4.07</b>	<b>5.56</b>	5.00
2011	2.56	10.50	-	<b>4.22</b>	5.56	5.00
2012	<b>2.75</b>	10.50	-	<b>4.37</b>	<b>5.75</b>	5.00
2013	2.75	10.50	-	<b>4.50</b>	<b>5.92</b>	5.00
2014	<b>2.83</b>	<b>10.82</b>	-	<b>4.64</b>	<b>6.10</b>	5.00
2015	2.83	10.82	-	<b>4.78</b>	<b>6.28</b>	5.00
2016	<b>3.05</b>	<b>11.00</b>	-	<b>4.92</b>	<b>6.47</b>	5.00
2017	3.05	11.00	-	<b>4.97</b>	<b>6.54</b>	<b>7.32</b>
2018	<b>3.14</b>	<b>11.33</b>	-	<b>5.09</b>	<b>6.70</b>	<b>8.04</b>
2019	<b>3.71</b>	<b>12.50</b>	<b>10.55</b>	<b>5.14</b>	<b>6.77</b>	<b>8.76</b>

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**

2010 \$ 4.5131  
2019 \$ 5.7554



2010 \$10.3464  
2019 \$ 9.4592

**Arrowhead School District**



2010 \$11.5595  
2019 \$ 9.1991



2010 \$2.0016  
2019 \$1.885

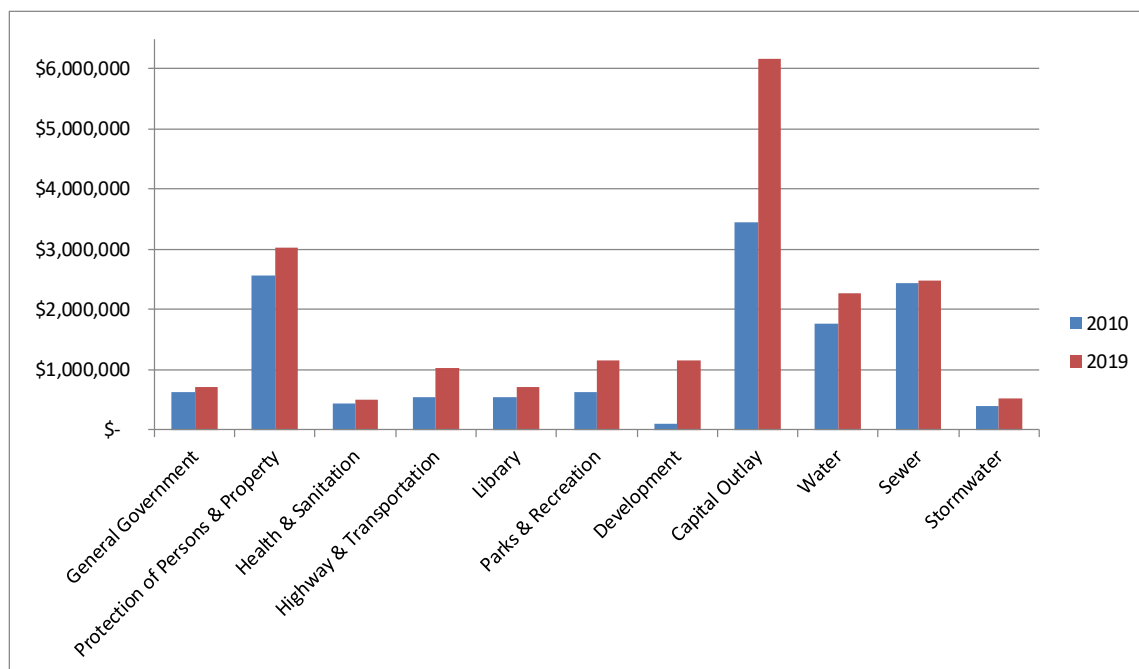


2010 \$ 1.2531  
2019 \$ 0.3731

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 2019 with 10 years ago.

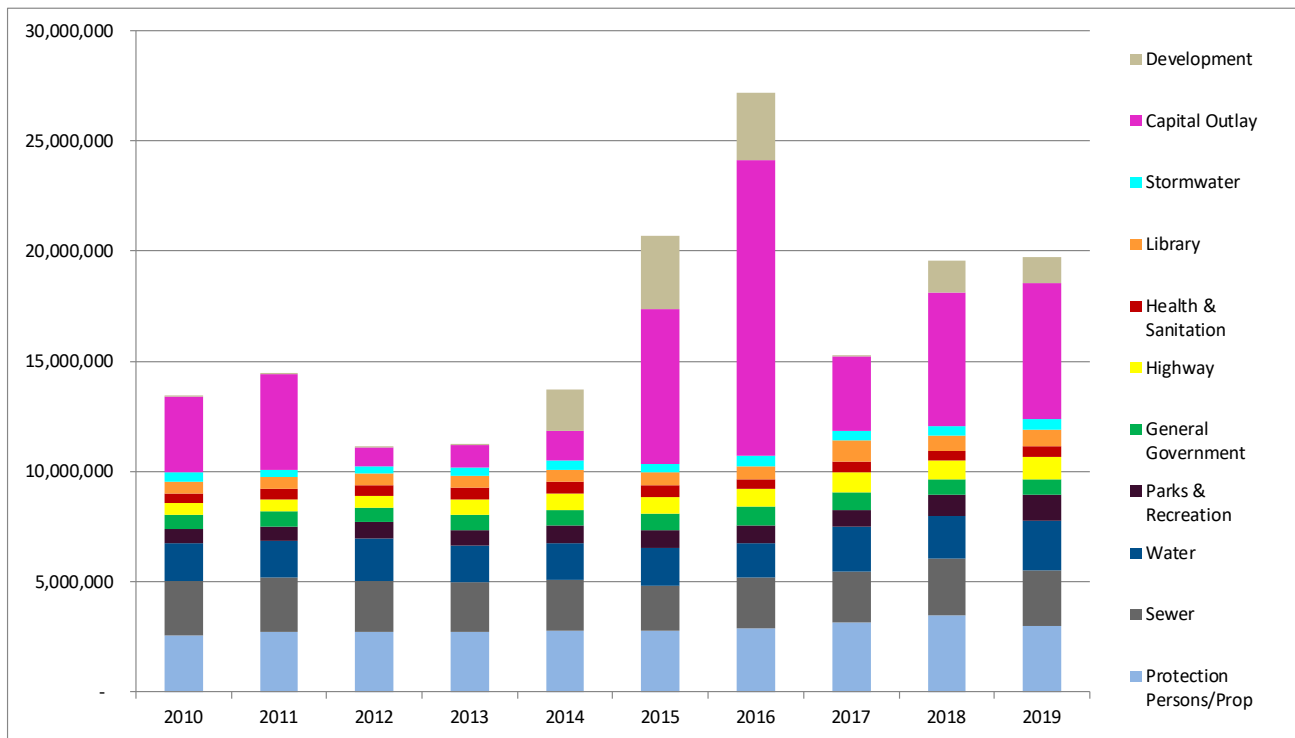
## Where the Money Goes



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 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, and TIF #7 in 2019.



New Quint Truck

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:

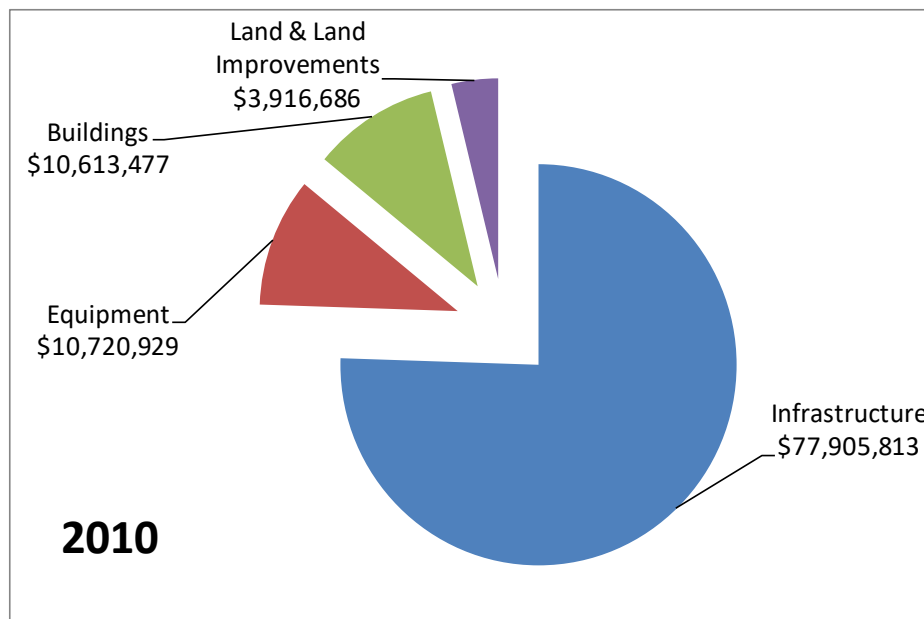
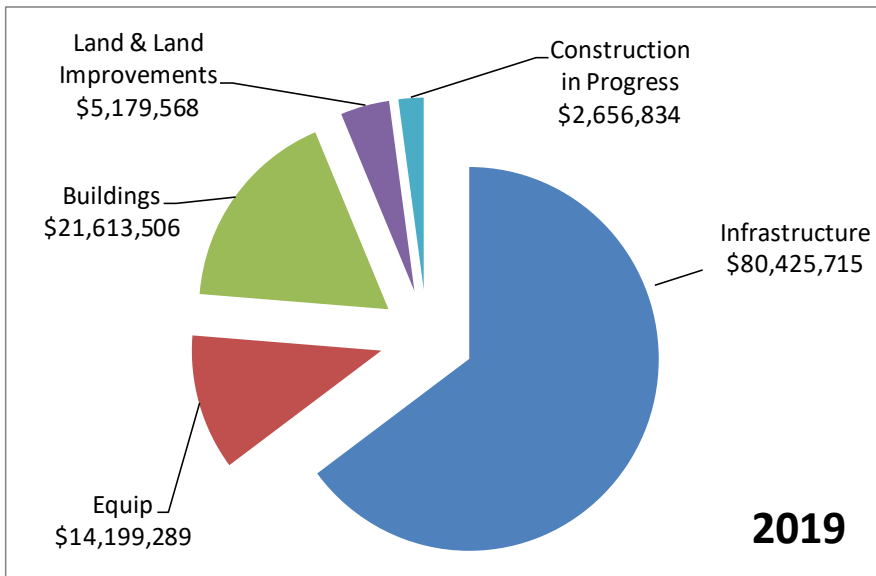
<b>Protection of Persons &amp; Property - Police</b>			
	<b>2019</b>	<b>2018</b>	<b>% Change</b>
Calls for Service	6,211	5,289	17.43%
Citations	2,191	2,195	-0.18%
Traffic Incidents	996	989	0.71%
Other Incidents	1,573	1,353	16.26%
House/Building Checks	4,464	4,233	5.46%
<b>Protection of Persons &amp; Property - Fire</b>			
EMS Calls	687	614	11.89%
Fire Calls	184	202	-8.91%
Fire Inspections	984	1,245	-20.96%
<b>Protection of Persons &amp; Property - Building Inspection</b>			
Permits - Single Family Homes	50	78	-35.90%
Permits - Commercial/Industrial	6	18	-66.67%
Permits - All Other	1,408	1,391	1.22%
<b>Public Works Department</b>			
Lane Miles of Roads Maintained	53	52	1.92%
Miles of Sidewalks Maintained	19.27	18.10	6.46%
<b>Parks and Recreation Department</b>			
Acres of Parks Maintained	274	274	0.00%
Number of Playgrounds	11	11	0.00%
Community Special Events	25	21	19.05%
Participants Registered (Rec programs & spec events)	6,313	6,205	1.74%



Main Street Block Party 2019

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](http://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 \$124.1 million (net of depreciation) in capital assets across all departments and functions at the end of 2019.



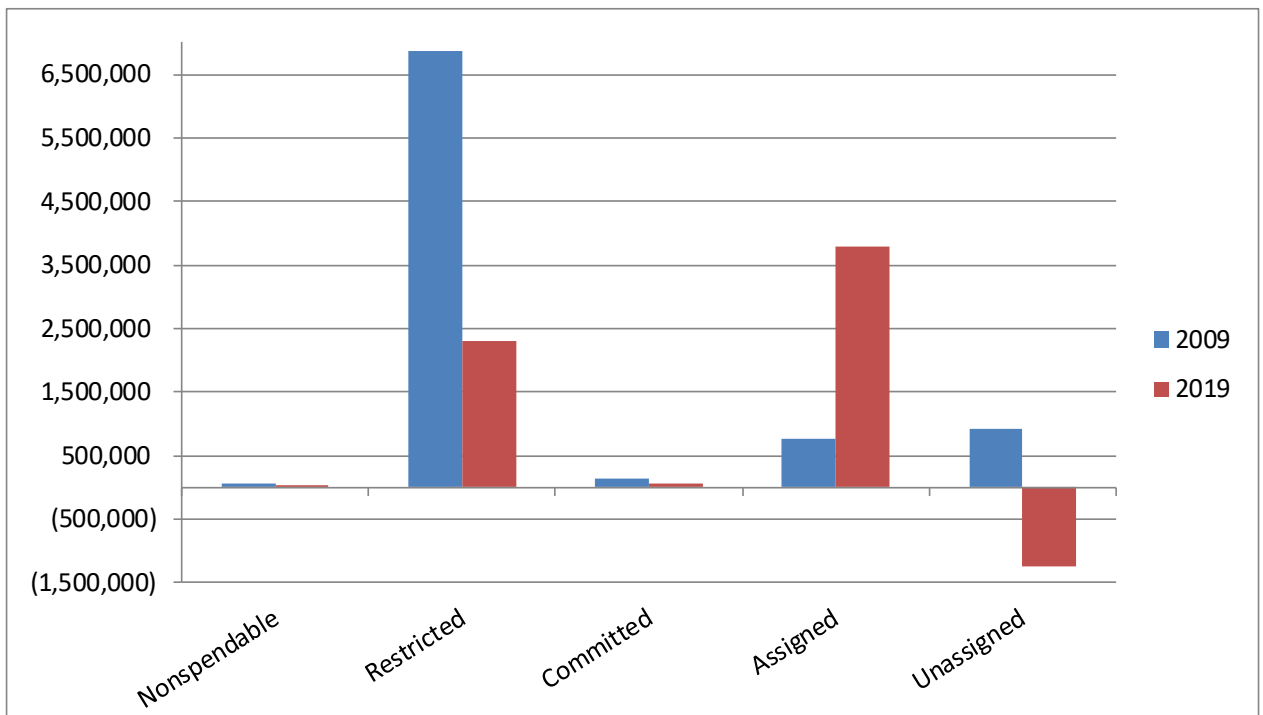
For comparison, the balances at year end 2018 are compared to year end 2009 above. The largest component, infrastructure, includes 53 miles of roads, as well as water, sewer and stormwater mains and the water towers and hydrants.

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, 2019, the Village has set aside about \$3.4 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 2019 balance decreased about \$1.1 million from 2018. The decrease is due to using previously accumulated funds for the purchase of the ladder truck and for costs associated with the Village Park Master Plan.

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.

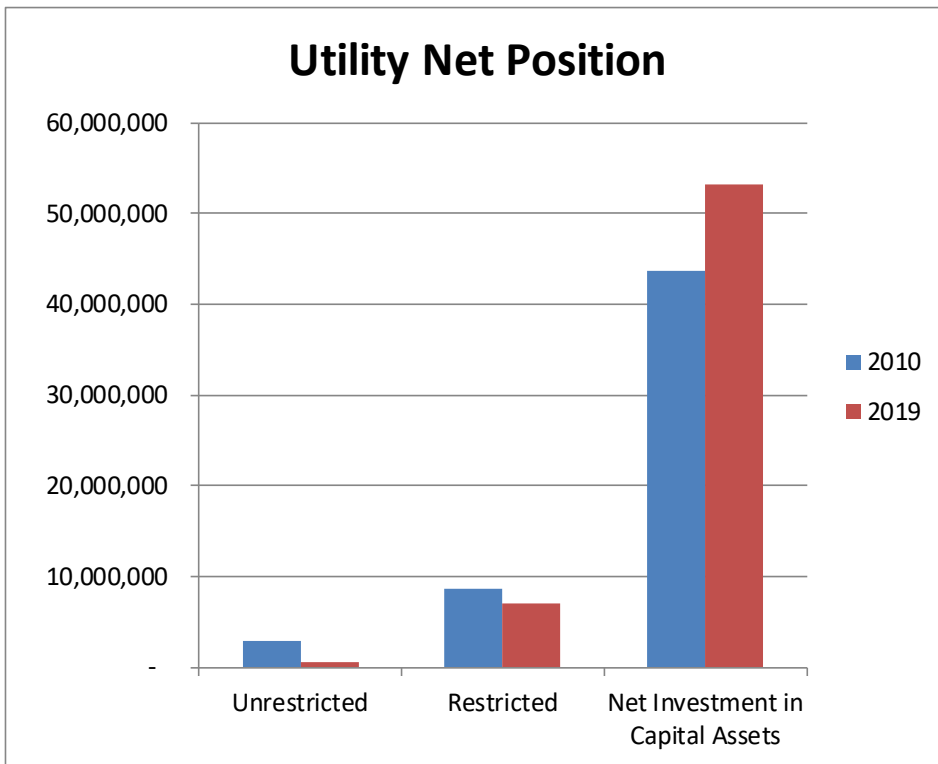
Within the Village’s **General Fund** (the main operating fund of the Village, excluding utilities), equity is called Fund Balance and is classified using the following categories:

- **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 2019 Assigned Fund Balance is \$3.4 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.**

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:



*87.5% 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. The Village's credit rating remains at Aa2 for general obligation debt and A1 for revenue bonds.



Madeline Park

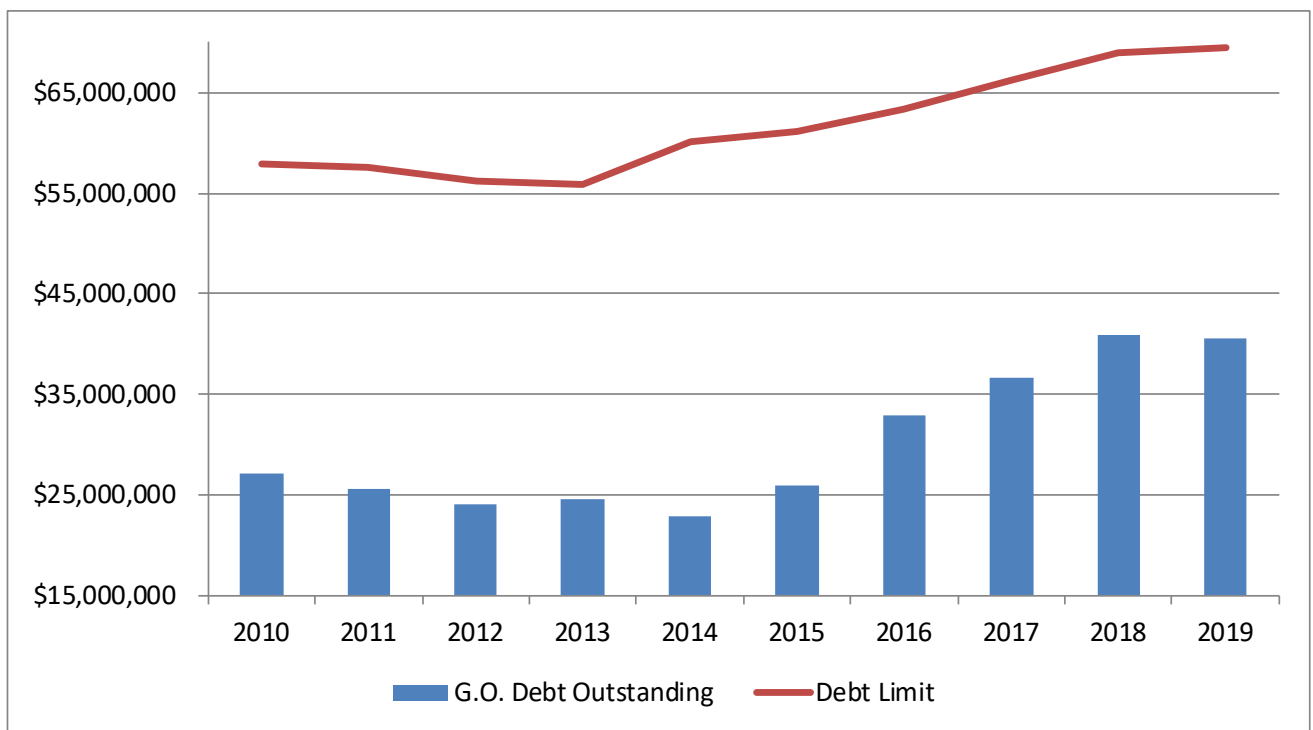
It is the Village's practice to issue debt for projects that cannot be financed from current revenues or reserves. Debt is paid back within a period of time not to exceed the useful life of the project being funded, which, in general, is at or below 20 years.

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.

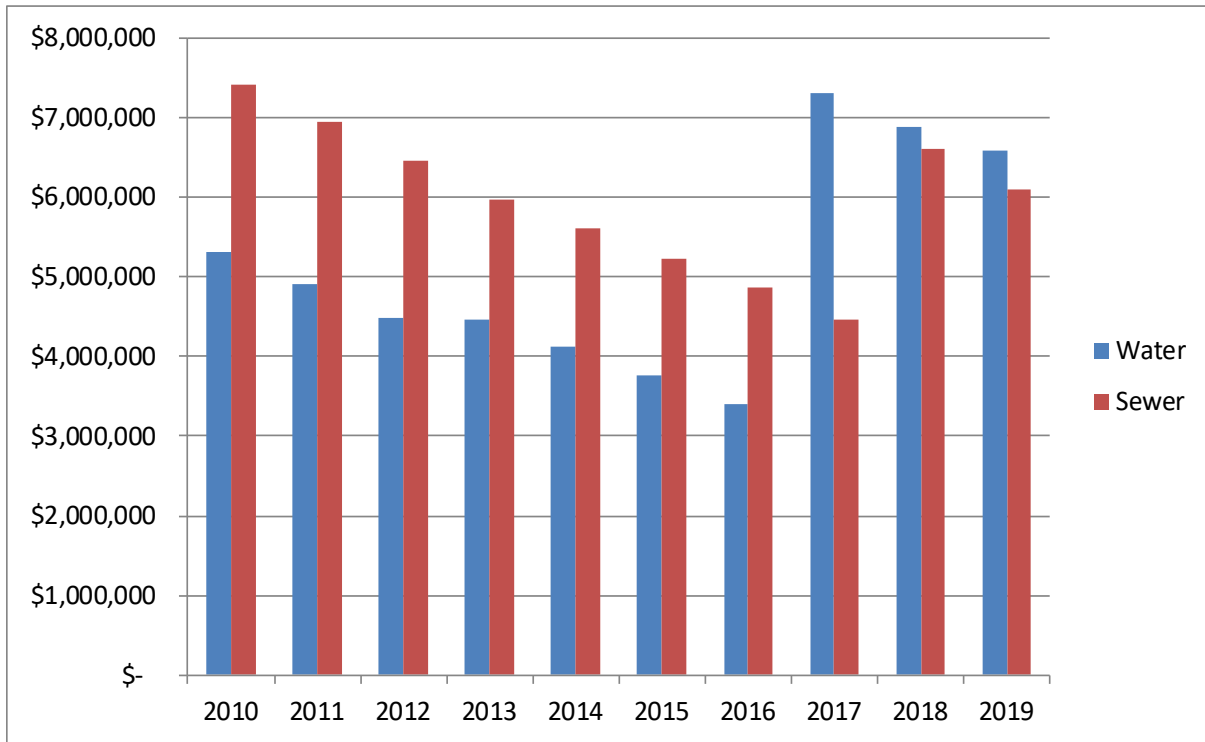
## What We Owe



**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 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. The current Capital Improvement Program (CIP) ends in 2020 with the completion of Maple Avenue reconstruction. The Village Board has taken that into consideration as they adopted the newest CIP in 2018 that covers 2021 to 2030. Here are some of the proposed projects for the next decade.

## 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 will 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 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 remaining phases allow 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 Infrastructure

With the completion of Maple Avenue reconstruction in 2020, the Village will have taken care of all its arterial roadways. Over the next decade the Village will focus back on neighborhood road maintenance projects to ensure the most efficient road maintenance program of mill and overlays every 13-15 years with full reconstructs on the 4th cycle.

With the radium treatment system fully operational, the water system should have reduced capital needs for some time and the treatment plant is well positioned, as well. There are some maintenance needs at certain utility buildings, but no major overhauls. The Pewaukee Creek crossing at Clover Drive will need to be looked at as a way to reduce flooding potential, but stormwater projects will be aimed at addressing TMDL standards and regular pond maintenance. The heavy investment in stormwater management with the capital road programs will require some rate increases over the next decade.

## Other Projects

Two residential subdivisions started 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 underway. 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.



Highland Business Park



Spooky Sussex



Maple Avenue Reconstruction

