

Citizen's Annual Report

City Government

Mayor

Robert Magnus (262) 569-1111

First District Aldermen

Matt Mulder (262) 569-3289
Karen Spiegelberg (262) 354-8161

Second District Aldermen

Lou Kowieski (414) 875-7625
Charles Schellpeper (262) 569-3271

Third District Aldermen

Matt Rosek (262) 370-0773
Andy Rogers (262) 794-2346

Fourth District Aldermen

John Zapfel (262) 569-3192
Kevin Ellis (973) 934-7558

Administration

Sarah Kitsembel
City Administrator/Treasurer
skitsembel@oconomowoc-wi.gov
(262) 569-2183

Finance Department

Laurie Sullivan
Director of Finance/Admin. Services
lsullivan@oconomowoc-wi.gov
(262) 569-3234

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*For the Year Ended
December 31, 2019*

Message from the Administrator



I am pleased to present the City of Oconomowoc's Citizen's Annual Financial Report for the year ended December 31, 2019. This report has been developed to provide the City's citizens, businesses, and community groups with important information about the financial activities of the City in a concise and simplified manner. The aim is to engage the interest and encourage participation of those unfamiliar with the complexities of government accounting and financial reporting and to demonstrate the City's accountability for the money it received. The financial information contained within this report is derived from the City's Comprehensive Annual Financial Report (CAFR). The CAFR is independently audited and is prepared in accordance with generally accepted accounting principles. As the manager responsible for overseeing the day-to-day operations of City government, I believe that providing useful financial information to our citizens is the key to accountability.

The City of Oconomowoc will be submitting this report for consideration in the Government Finance Officers Association Popular Annual Financial Report award program. The City has received the Award for Outstanding Achievement for its Citizen's Annual Report (also referred to as the Popular Annual Financial Report) for six consecutive years.

*Sarah Kitsembel
City Administrator*



Introduction

One of the City's goals is to provide useful financial information to our citizens. The City's Comprehensive Annual Financial Report (CAFR) contains detailed information regarding the City's financial performance, is prepared in accordance with generally accepted accounting principles, and is audited by the firm Baker Tilly Virchow Krause, LLP.

The CAFR is filled with information on the City's annual performance, including financial results, comparisons to budget, details on specific balances, certain statistics, a discussion and analysis by management, and much more.

A copy of the CAFR is available at the City's website
www.oconomowoc-wi.gov
Finance Department page

This report is designed to be a simplified interpretation of the CAFR. This report's focus is on the areas of interest to most citizens, and does not include all functions of the City operations. The funds highlighted are as follows:

- **Funds That Use Property Tax Revenues**

- **General Fund** – primary function of general government including administration; finance; clerk; police and fire; public works; library; parks, recreation, and forestry; planning; and economic development.
- **Debt Service Fund** – external debt issuance and repayment.
- **Capital Projects Fund** – general government equipment, vehicle, land, building, and infrastructure purchases greater than \$10,000.
- **Tax Increment Financing Districts** – three districts in the City's Downtown, established to encourage development by providing assistance to the developer, primarily through public infrastructure such as roads and utility service.

- **Enterprise Funds that use Service Fees and Operate Like Private Businesses**

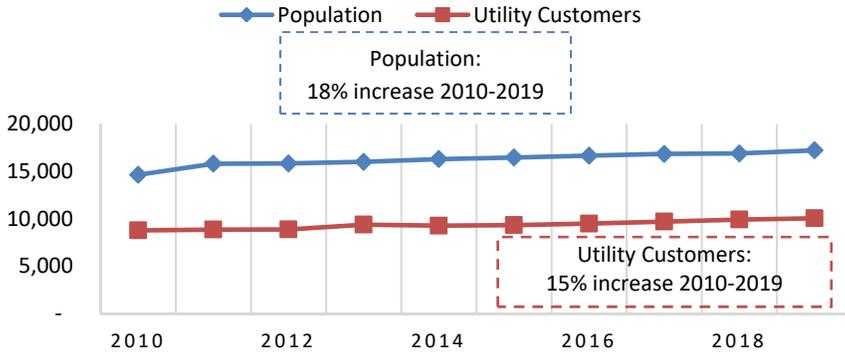
- **Wastewater Utility** – treats all wastewater generated in Oconomowoc as well as serving seven sanitary districts.
- **Water Utility** – supplies safe drinking water to residents and businesses.
- **Electric Utility** – provides reliable electricity to residents and businesses.



Who We Are

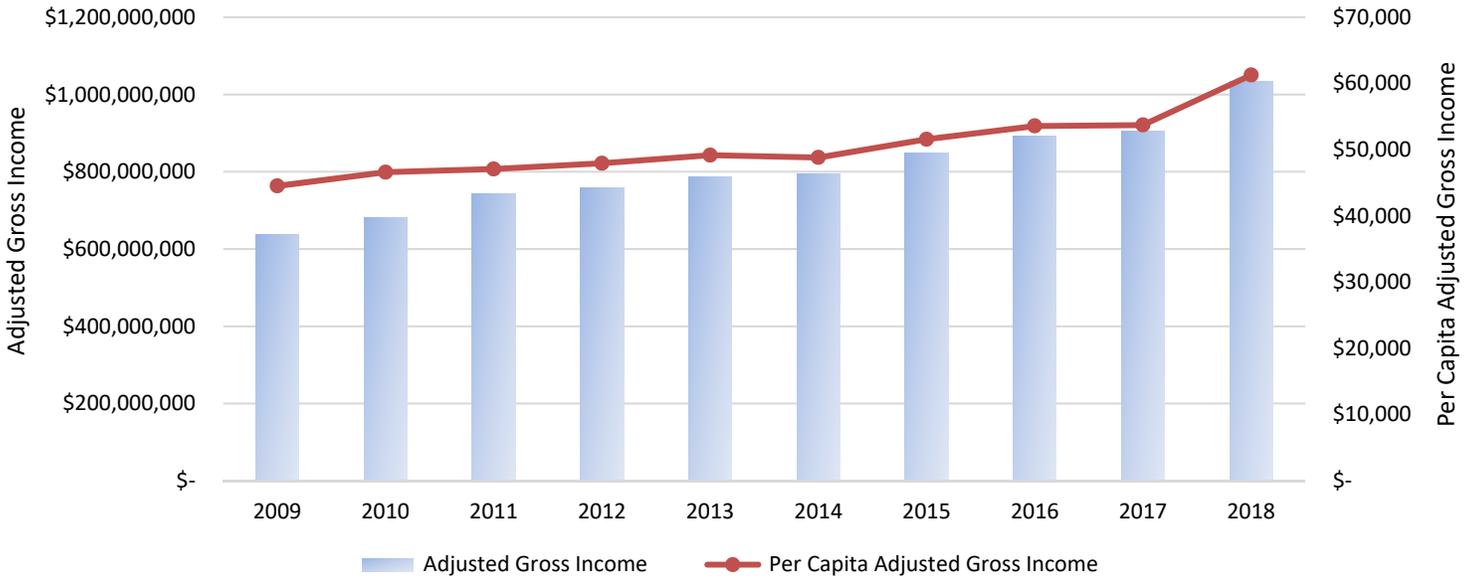
The City of Oconomowoc is a full service, mid-size city providing services that include police and fire protection; diverse development and economic growth; maintenance of the City's infrastructure; quality of life options such as park/recreation services and the library; and a municipal owned wastewater/water/electric utility.

CENSUS DATA



We continue to attract visitors, new businesses, and new residents with our natural beauty, favorable location, diverse and thriving businesses and industries, fine services, and year-round recreational activities.

Wealth Indicators



The City's AGI per tax return of \$93,254 continues to compare favorably to Wisconsin's average of \$59,423.

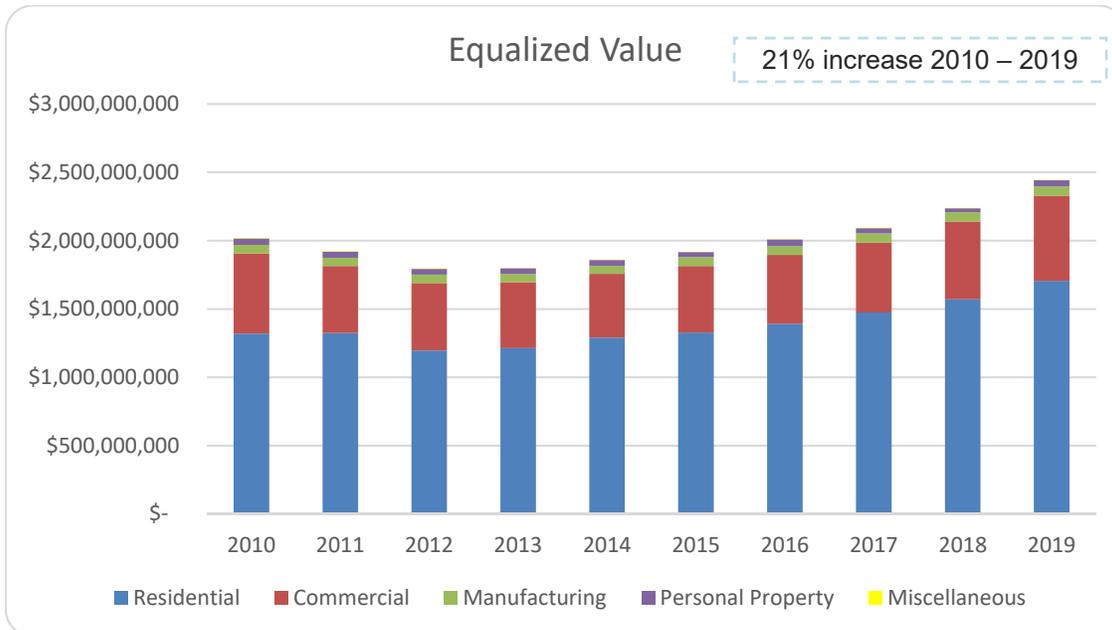
Who We Are

(Continued)

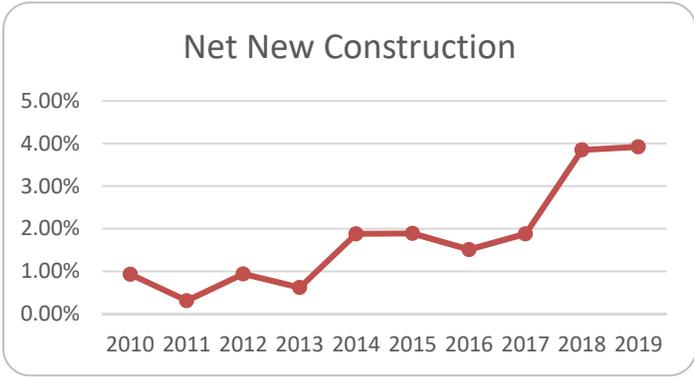
One of the primary statistics used to determine the size of a municipality is the dollar value of the property within the municipality's borders. The assessed value is the value placed on each parcel by the City's contracted assessor, Grota Appraisals, LLC. However, because assessors in different taxing districts value property at varying percentages of market value, the Wisconsin Department of Revenue converts the assessed values to a uniform level through equalization. The calculated amounts are called equalized values or "estimated fair market values" and are a better source when comparing values across different municipalities.

Net new construction 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 (see further details in the 'Where the Money Comes From' portion of this report).

The City has seen modest changes in our equalized value over the past 10 years that follow the nation's trends for growth and recession. Since 2013, the City's equalized value has continued to increase as a result of increased development.



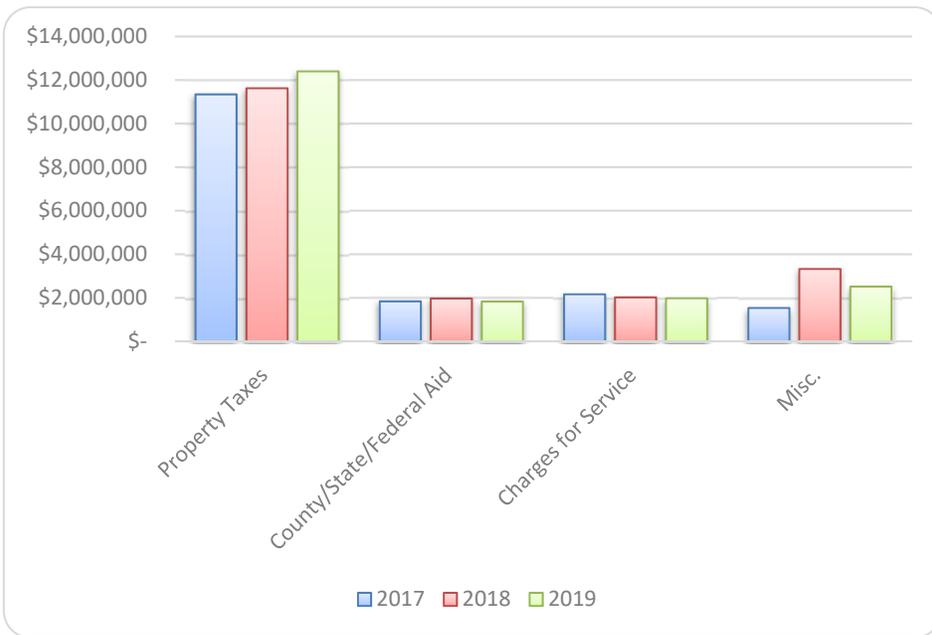
See the Publication "Guide for Property Owners" available on the Department of Revenue's website for more information about assessed and equalized values.



Where the Money Comes From

Most of the money the City receives is from two sources – property tax levy and utility charges to customers. Following are graphs depicting the revenues by source.

Governmental Revenues by Source



Tax revenues include both property tax related revenues as well as public accommodation taxes.

Miscellaneous revenue sources include license, permit, fines, and other miscellaneous type revenues.

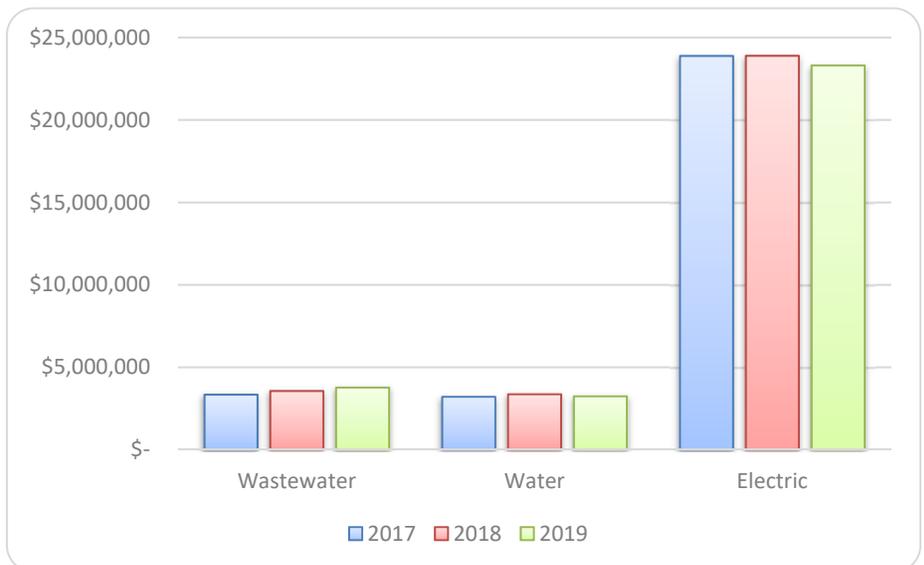
During 2018, the City had experienced a significant increase in development activity which created increased permit revenues as well as sold two properties totaling \$535,000.

All other revenue items remained comparable from year to year.

Utility Charges for Services

Utility charges to customers during 2019 totaled \$30.3 million. The Electric Utility comprised \$23.3 million of that balance, making it the largest revenue source of the City.

The 2019 decrease in Electric Charges for Services relates to a decrease in consumption.

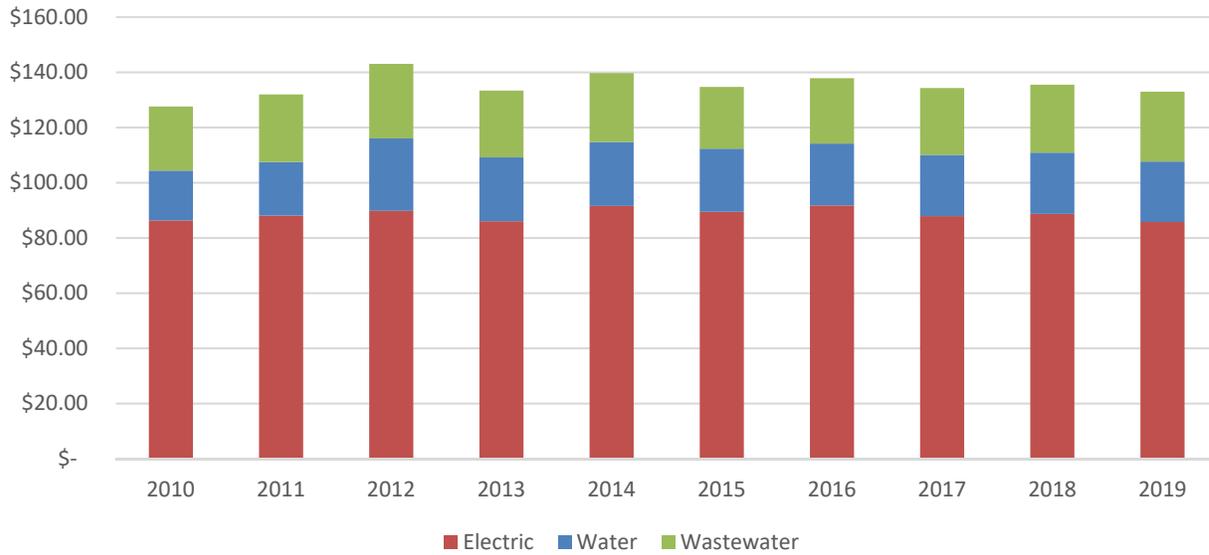


Where the Money Comes From

(Continued)

Utility charges are collected for all three of the City-owned utilities (Wastewater, Water, and Electric) and are primarily based on the customer's rate class and individual usage.

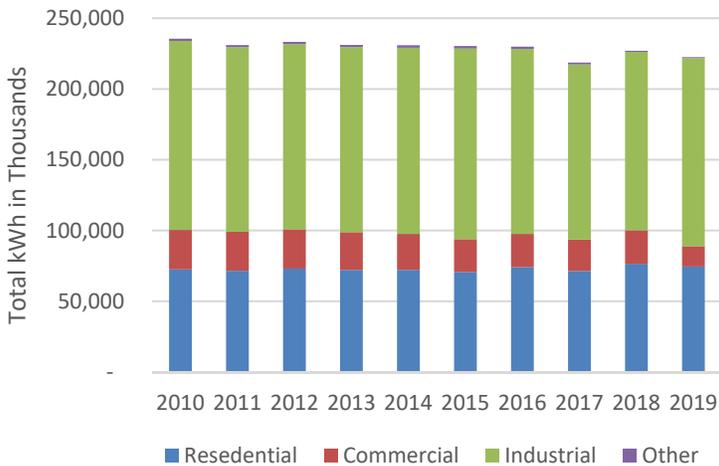
Average Household Monthly Utility Bill



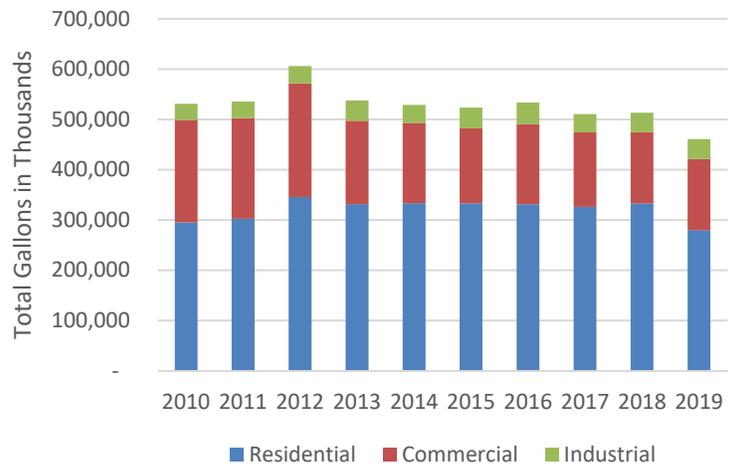
The average household monthly utility bill was \$133 in 2019 and 65% of the bill was electric charges.

Electric usage is measured in kilowatt hours (kWh), and Wastewater and Water usage is measured in gallons. There are three main categories of utility customers: residential, commercial, and industrial. Most electricity is used by our industrial customers, while residential customers account for most of the water used and wastewater treated.

Electric Utility
Total Annual Consumption



Water Utility
Total Annual Consumption



Where the Money Comes From

(Continued)

The City collects property taxes for several different taxing jurisdictions including the State, County, Oconomowoc Area School District (OASD), Waukesha County Technical College (WCTC), and two Lake Districts.

Dividing Up Your Property Tax Dollar

30.1 ¢ of every dollar collected from property owners is for City government purposes.



The City's total net tax rate ranked **184 out of 190** Wisconsin cities for 2018.

2019 data not available

City of Oconomowoc
30.1¢

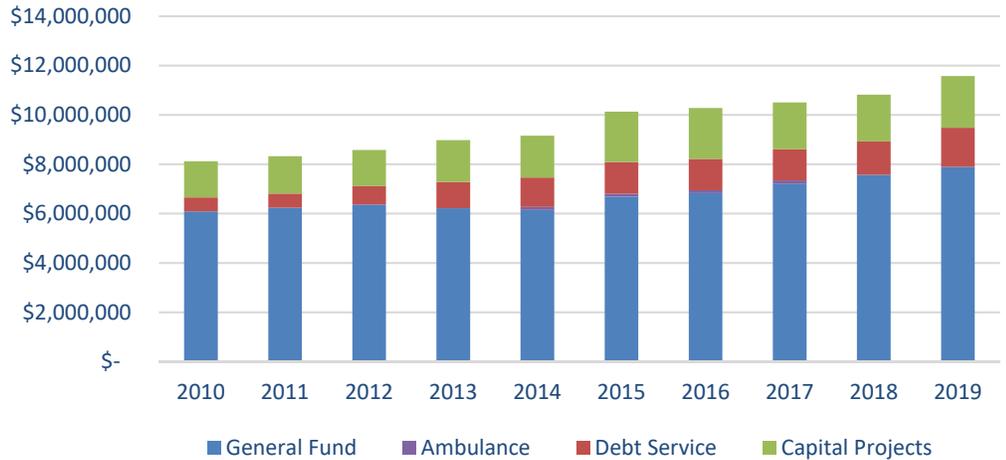
County, State, Lake Districts
11.4¢

OASD & WCTC
56.8¢

TID Tax Increment
1.7¢

The City's portion of the tax levy is allocated to four different areas within City operations. The funds are described in the introduction to this report. The graph to the right details the City property tax levy and excludes other taxes, such as public accommodation tax, that are reported as taxes revenue in the City's CAFR.

City Property Tax Levy



2010

General Fund: \$6,089,009 (75%)
Ambulance: \$0- (0%)
Debt Service: \$566,298 (7%)
Capital Projects: \$1,466,000 (18%)
Total: \$8,121,307

10 Year Change

+\$1,550,607 (25%)
\$0- (0%)
+\$1,016,480 (180%)
+\$628,814 (43%)
+3,195,901 (39%)

2019

General Fund: \$7,639,616 (68%)
Ambulance: \$0- (0%)
Debt Service: \$1,582,778 (14%)
Capital Projects: \$2,094,814 (18%)
Total: \$11,317,208

Where the Money Comes From

(Continued)

In 2006 Wisconsin state statutes enacted a limit on the property tax levies for all cities, villages, towns, and counties. The calculation of the limit has changed over the years but is generally based on net new construction with an exemption for new debt issuance. In general, there is also a “use it or lose it” component to the calculation. Below is a chart of the City’s levy increases by year as compared to the State imposed levy limit.

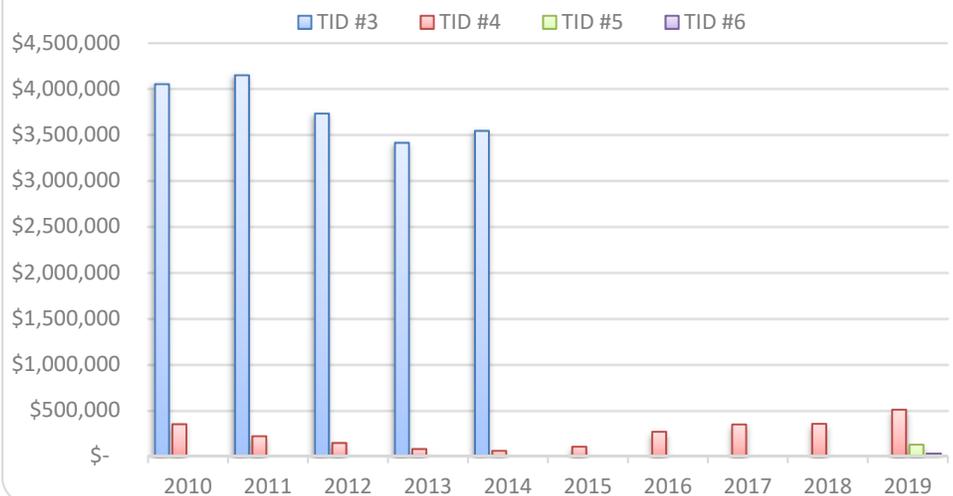
CITY LEVY INCREASE VS. LEVY LIMIT



In 2011 and 2012 (used to calculate the levy limit for 2012 and 2013 budgets) the City had very little net new construction and absorbed unavoidable inflationary increases like gasoline and benefit costs within other operations. The increase noted in 2015 relates to the closure of TID #3 and a portion of that increment adjusted the City’s levy limits.

Tax Increment Districts #3 (TID #3) and #4 (TID #4) were created in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the Districts were created, the property tax base within the District was “frozen” and tax dollars collected from the increased value in the district after the TIF creation date are used to finance District improvements. This revenue collected through property taxes for District purposes is called tax increment. TID # 3 was closed during 2014, and excess increment was transferred to TID #4 through donor agreement. Following is the history of the tax increment collected since each was created.

Tax Increment Collections

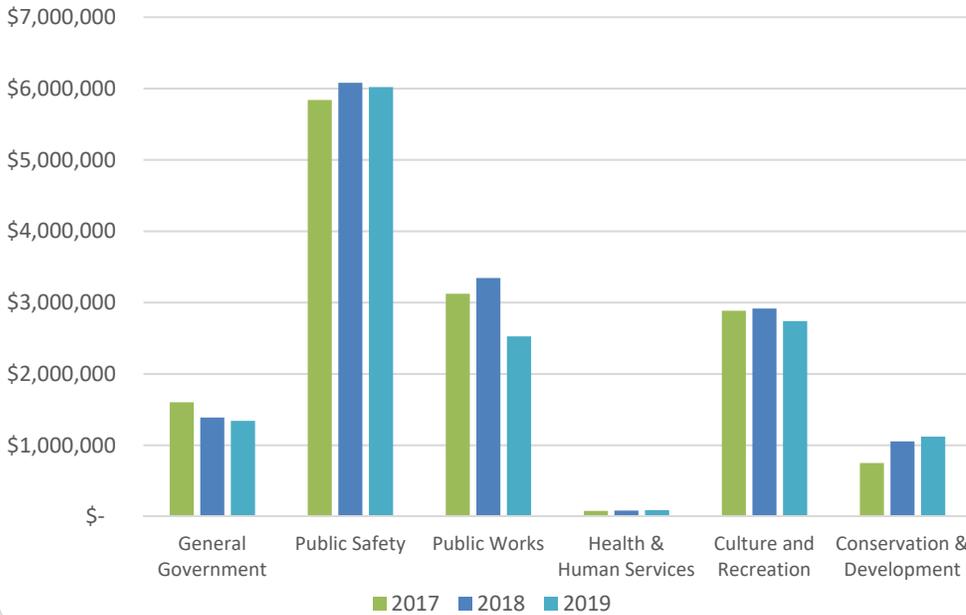


During 2017 the City created Tax Increment Districts #5 and #6, both focusing on further enhancement of the City’s downtown area. These districts generated their first increment in fiscal year 2019.

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 of the City’s operating expenses.

Governmental Expenses by Function

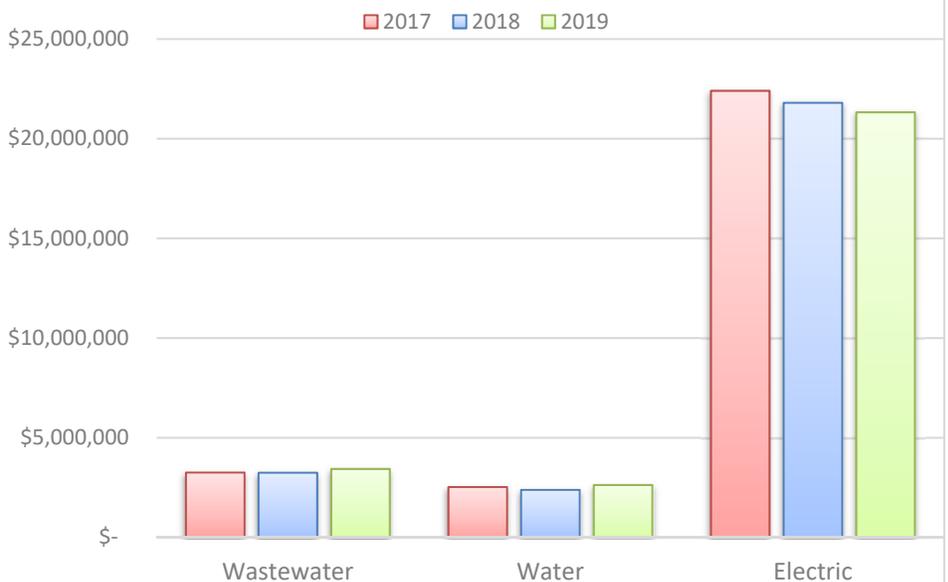


Public Safety expenditures primarily consist of the cost of police, fire and ambulance services as well as other safety-oriented services. The smaller value of 2017 Public Safety expenditures relates to the transfer of Ambulance services to the new Western Lakes Fire District.

Public works expenditures include the cost of maintaining city infrastructure. Spending within this category is dependent on City projects. Please see the discussion on capital assets for additional information.

Purchased power is the largest category of operating expense, totaling approximately \$16.3 million. This is the amount paid to WPPI Energy for the electric power that we resell to our customers.

Utility Funds Operating Expenses by Function



Where the Money Goes

(Continued)

For fiscal year 2019, 19% of the City's operating budget goes towards personnel costs (55% if looking at just the General Fund). Following is a chart by department of the City's staff. (Note: Budgeted amounts and approved positions will vary from actual employees employed during the year due to turnover and varying overtime requirements.)

	Full-Time (including overtime) Count / FTE*	Part-Time Count / FTE*	Total Count / FTE*
Administration	1 / 1.00	9 / 0.58	10 / 1.58
Finance	6 / 6.00	2 / 0.87	8 / 6.87
Clerk	3 / 3.00	29 / 0.34	32 / 3.34
Police	30 / 30.46	19 / 1.88	49 / 32.34
Fire/Ambulance**	0 / 0.00	0 / 0.00	0 / 0.00
Public Works	14 / 14.44	5 / 1.51	19 / 15.95
Library	7 / 7.00	20 / 6.41	27 / 13.41
Parks, Recreation, and Forestry	10 / 10.13	104 / 10.41	114 / 20.54
Planning	2 / 2.00	0 / 0.00	2 / 2.00
Bureau of Economic Development	1 / 1.00	0 / 0.00	1 / 1.00
Wastewater	9 / 9.33	3 / 0.72	12 / 10.05
Water	8 / 8.34	0 / 0.00	8 / 8.34
Electric	18 / 18.84	3 / 1.56	21 / 20.40
Technology	1 / 1.00	0 / 0.00	1 / 1.00
Fleet	2 / 2.07	0 / 0.00	2 / 2.07
Total	112 / 114.61	194 / 24.28	306 / 138.89

* FTE is defined as full time equivalent assuming a total of 2080 hours a year

** Effective March 2017 the Fire & Ambulance departments left the City and merged with Western Lakes Fire Department.

In 2010, the City had 114 full-time employees.

In 2017 full time employees were reduced by 6 due to the merger with Western Lakes Fire Department.

In the past 10 years, only 4 full-time positions have been added to accommodate our increased population, call volume, miles of streets, park acreage, etc.



Where the Money Goes

(Continued)

The three main components of the City's general operations are public safety, public works, and culture and recreation. The three utilities are also a large function of the City. Following are some statistics on the City's performance in these six areas.

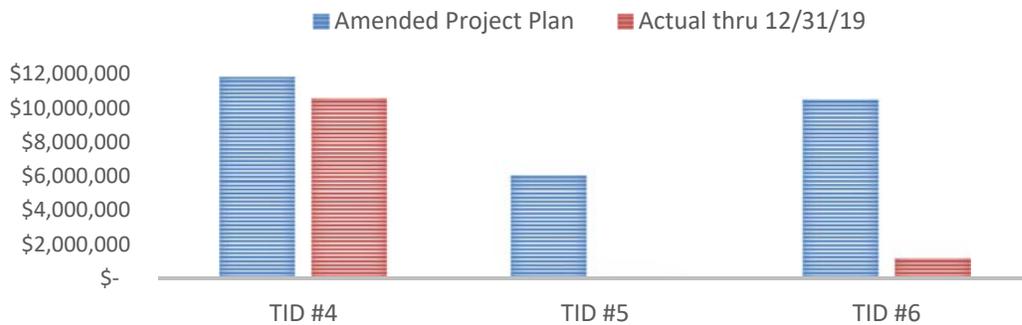
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Notes</u>
Public Safety				
Calls for Police Service	37,349	39,535	37,350	
Speed Enforcement	1,877	2,030	1,652	
Total Arrests	7,442	7,438	6,284	
Public Works				
Building Permits Issued	346	441	453	Increase due to increased development in the City
Inspections Completed	5,544	6,325	6,345	Increase due to increased development in the City
Asphalt Placed by City Crew (ton)	241	215	195	
Miles of Streets Maintained	87	89	90	
Culture and Recreation				
Library Items Circulated	280,030	295,526	307,112	
Library Card Holders	16,484	17,033	17,583	Decrease in 2017 due to purge of inactive cards
Recreation Program Participants	4,897	3,914	3,847	
Acres of Parks Maintained	337	343	410	
Wastewater				
Sewerage Treated	1,006	1,034	1,012	
Average Daily Flow	2.78	2.83	2.77	
<i>*Both in millions of gallons</i>				
Water				
Total Pumped	557	554	552	
Average Daily Consumption	1.53	1.52	1.51	
<i>*Both in millions of gallons</i>				
Electric				
Total kWh purchased	222,260	232,550	228,532	2017 decrease in consumption due to efficiency improvements throughout the City
Average Daily Consumption	608.93	637.12	626.12	
<i>*Both in thousands of kWh</i>				

Where the Money Goes

(Continued)

The City currently has three open Tax Incremental Finance districts (TID's 4, 5, & 6). All three of these districts were established to promote the revitalization of downtown and adjoining neighborhoods to maintain a healthy vibrant area and a center of community activities. TID #4, created in 2003, has invested significant funds within the district. The approved project plans include costs for public infrastructure, developer assistance, site improvements, and similar costs. During 2017, the City created TID #5 and #6, with the approved project plans incorporating costs for public works improvements, and to provide incentives to the private sector to assist in the elimination of blighted conditions and stimulate planned commercial, housing, and mixed use development within the districts.

TID ACTUAL EXPENDITURES COMPARED TO APPROVED PROJECT PLAN



TID #3 closed in 2014 and all remaining available increment was transferred to TID #4 per the donor TID designation.

TID #5 and #6 were created in 2017, and have incurred limited expenditures since creation.

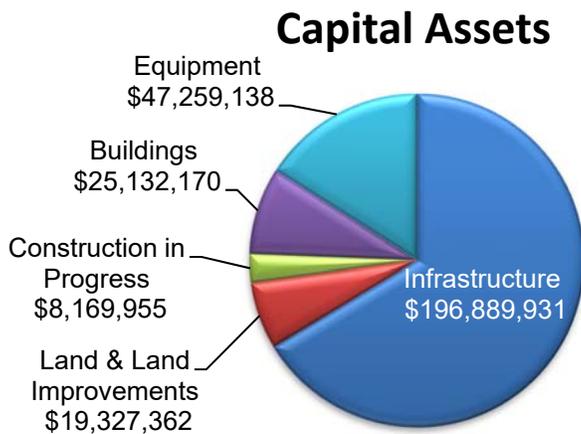
The remaining costs for all districts will be incurred as projects are approved.



What We Have

To assist in our planning for the replacement of large capital assets and other major expenses, the City prepares a Long Term Financial Plan (LTFP) each year. The purpose of this plan is to identify and prioritize our future needs, determine our financial constraints, and strategize ways to best meet our goals. Recent LTFP's are available on the City's website at www.oconomowoc-wi.gov under the Finance Department.

One major component of the LTFP is capital asset replacement. Capital assets are equipment, buildings, land, and infrastructure owned by the City that is expected to serve our residents over multiple years. The City has \$297 million in capital assets across all departments and functions.



2019 Major Capital Asset Additions

- Construction began on the new Public Safety Facility
- Progress on infrastructure in the Northeast Region in collaboration with the Oconomowoc Area School District and St. Mathews Church
- Contributed streets and storm sewer infrastructure from developers
- Utility infrastructure related to cable replacements, distribution mains and collection systems



Major Capital Assets as of 12/31/2019

- 90 miles of streets
- 62 miles of storm sewer
- 410 acres of parkland
- 614,192 feet of sewer main
- 584,686 feet of water main
- 398 miles of primary electric wire
- 19 pump stations
- 6 wells
- 1,613 transformers
- 5 substations

What We Have

(Continued)

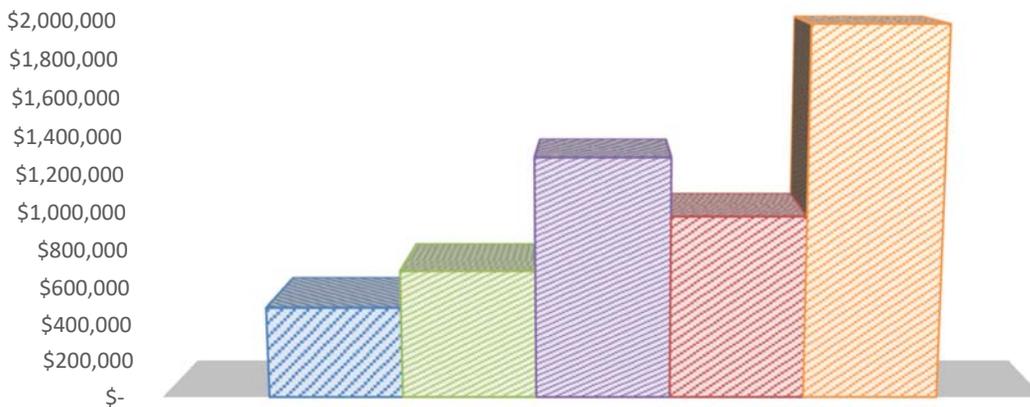
Another value often used to determine the financial stability of a municipality is equity. Having adequate equity balances provides flexibility to a municipality to address shortfalls and unexpected costs. Equity is also saved throughout the years so that cash can be paid for future large purchases rather than issuing external debt.

Within the property tax levy funds, equity is calculated as 'fund balance' and is classified using the following categories:

- **Nonspendable** – items that cannot be turned into cash easily, such as prepaid expenses and long-term receivables, and can therefore not be spent in the next year
- **Restricted** – fund balance that is restricted by outside organizations to be used for specific purposes
- **Committed** – fund balance that is committed by the Council to be used for specific purposes
- **Assigned** – fund balance that is assigned to specific purposes by the City 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 large one-time projects as outlined in the long-term financial plan

GOVERNMENTAL FUND BALANCE

■ Nonspendable ■ Restricted ■ Committed ■ Assigned ■ Unassigned

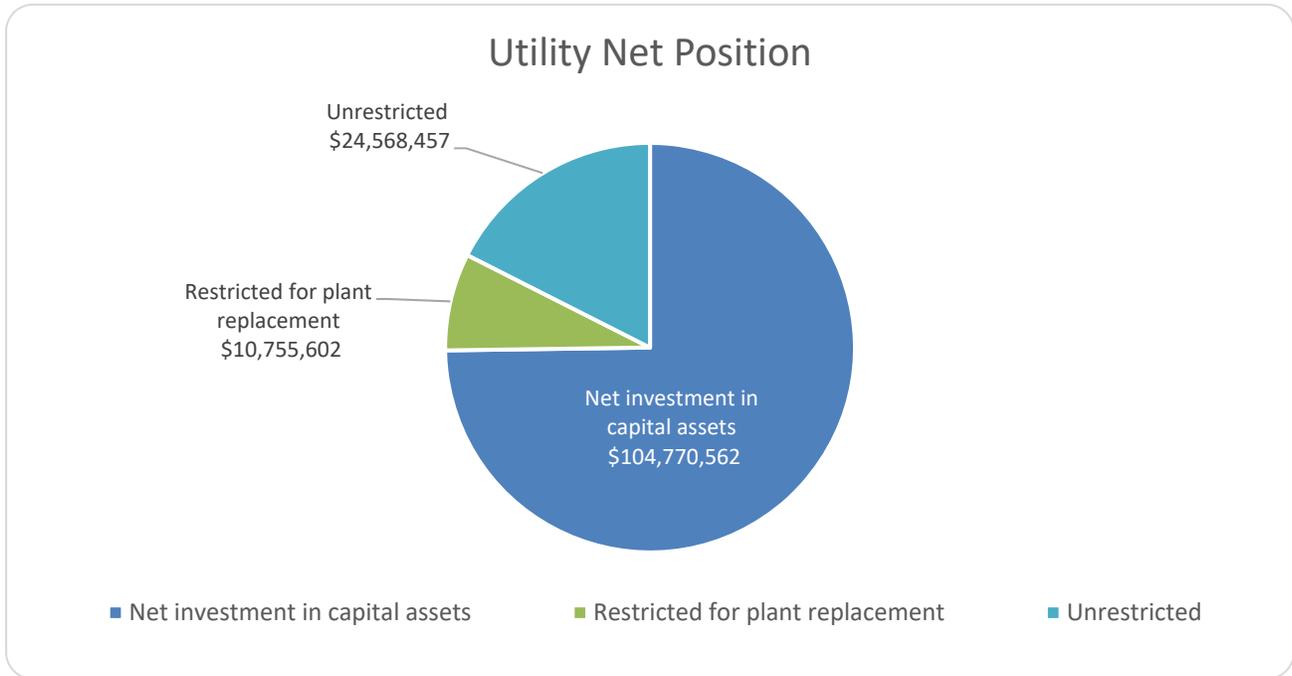


The City's reserve policy states that 25% of the subsequent year's expenditure budget must be held in reserves. This policy, however, does not meet the technical requirements of committed, so it is shown as unassigned fund balance.

What We Have

(Continued)

Within the three utilities, equity is calculated as 'net position.' There are three components of net position: net investment in capital assets, restricted net position, and unrestricted net position. Following is the total net position held by the three utilities:



75% of the Utility's equity is tied to capital assets, which cannot easily be turned into cash to meet future needs.

Overall the City is financially healthy. Our reserve levels have been recognized by our credit rating agency and have allowed us to receive better interest rates on our debt. Our most recent credit ratings are Aa2 for general obligation debt and A2 for revenue bonds, which are as high as we can expect for a municipality of our size. They have also been used to help fund one-time projects that were planned through the long-term financial plan.

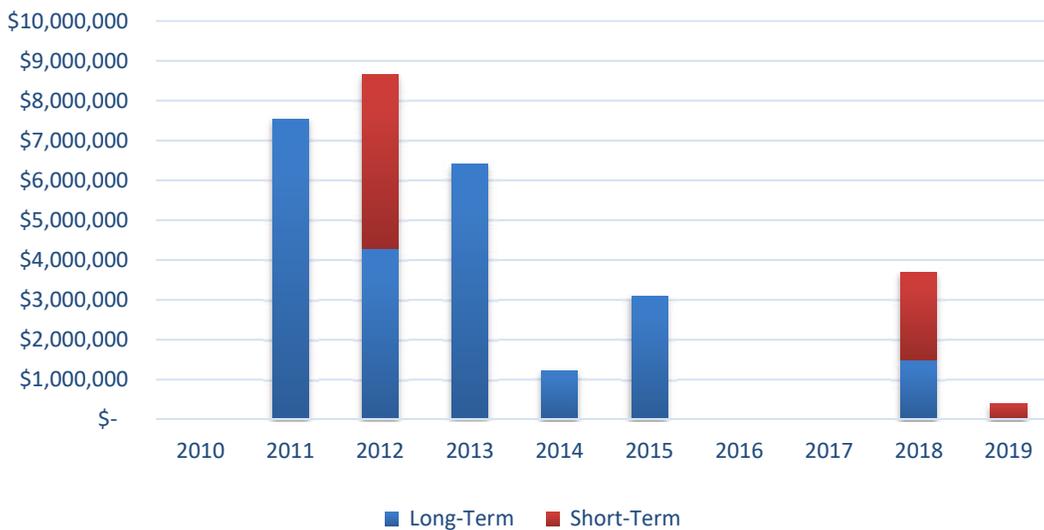
What We Owe

The City's debt policy states that we will issue long-term debt to support projects that cannot be financed from current revenues. We will not issue long-term debt to fund current operations. Our policy is to pay back the debt within a period of time not to exceed the expected useful life of the project which, in general, is at or below 20 years.

One 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 previous generations that did not have access to the particular asset.

In 2019, the City made scheduled payments and issued \$408,000 of short-term notes for construction that began on the new Public Safety Facility.

New Debt Issuances



2009, 2011, 2013, 2014 and 2018 included planned debt issuances for the City's street improvement initiative.

2012 was the short-term issuance and subsequent long-term refinancing for the new Community Center.

2015 was the refunding of the Electric revenue bonds.

TID #4 issued short-term debt in 2006 to fund downtown improvements including street reconstruction and streetscape. The City elected short-term due to the uncertainty of timing around specific projects that were intended to repay the debt. In 2009 the short-term debt was refinanced into new short-term debt due to the change in the economic landscape and resulting uncertainty. The debt was refinanced long-term in 2011, and was retired early during 2014.

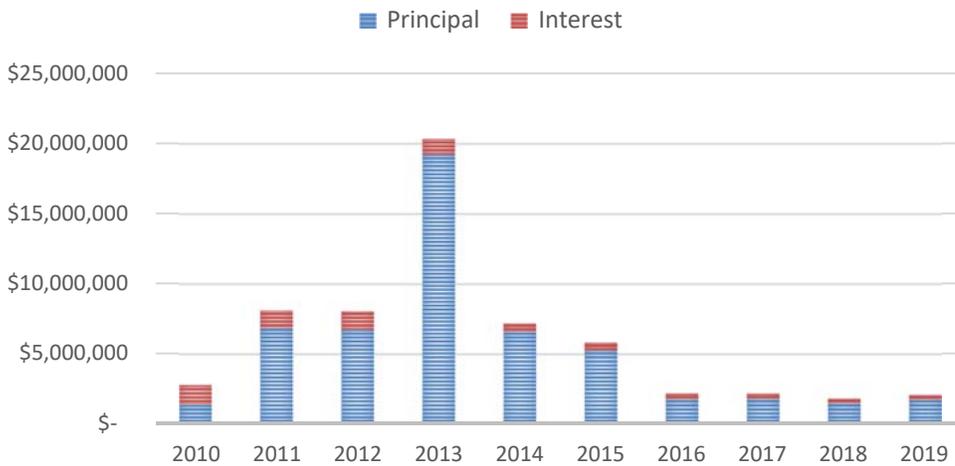
The City issued \$2.2 million in short-term notes in 2018 to fund the purchase of the new Public Safety Facility. Short-term notes were issued due to the uncertainty of whether the Public Safety Facility would be built at that time. In 2019, the City issued \$408,000 in additional short-term notes to fund construction on the facility until long-term funding could be issued in 2020.

Note: All charts include external debt only (not internal advances)

What We Owe

(Continued)

EXISTING DEBT PAYMENTS



2009 & 2011 – TID #4 refinancing

2012 – Community Center refinancing

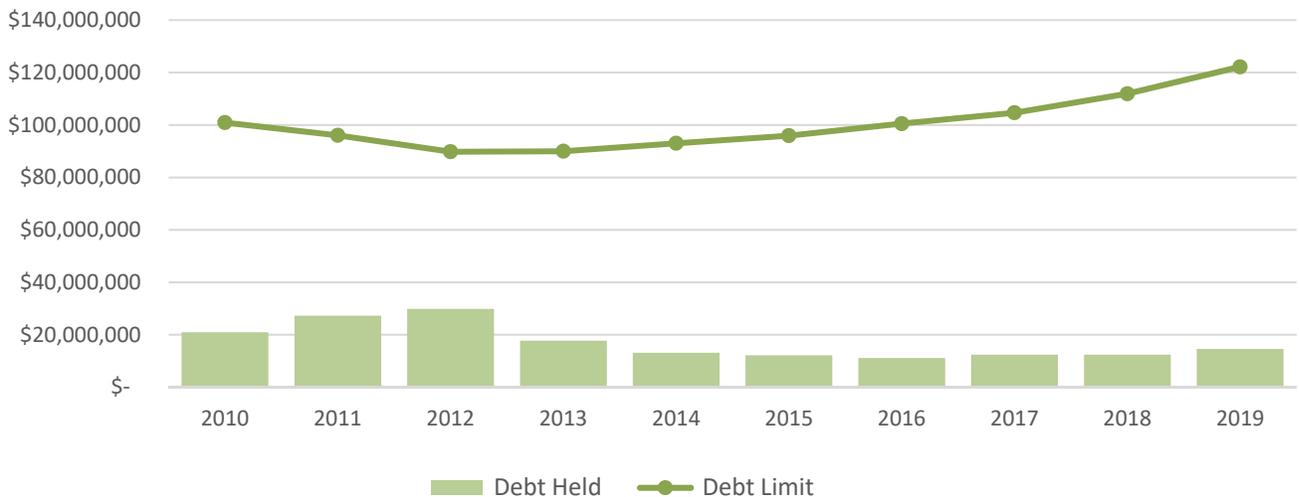
2013 – Prior Service Liability and 2009 street debt refinancing

2014 – TID #4 payoff

2015 – Refunding of Electric Revenue Bonds

General obligation (G.O.) debt is external debt owed by the City that is supported by the ability to levy property taxes to make the payments. Most of the City’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.

General Obligation Debt vs. State Imposed Debt Limits



Who Recognized Us Recently

The City has received many accolades lately. We are very proud of our community and all of the great things we have been able to accomplish together!

MOODY'S
INVESTORS SERVICE

Rating Aa2 Rating A2

APPA American Public Power Association

Safety Award

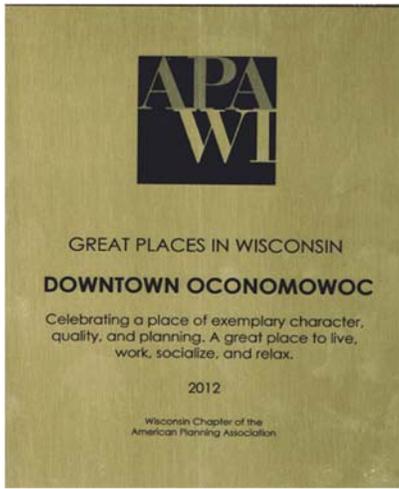


hulafrog
Local things for kids to do.

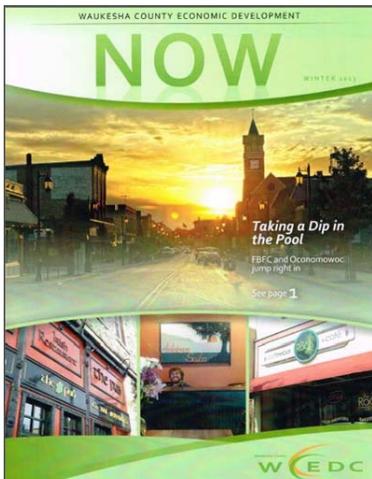
Most Loved Public Library



AWARD for OUTSTANDING ACHIEVEMENT
Popular Annual Financial Reporting



Best of the US in US Travel



APPA American Public Power Association



Reliable Public Power Provider

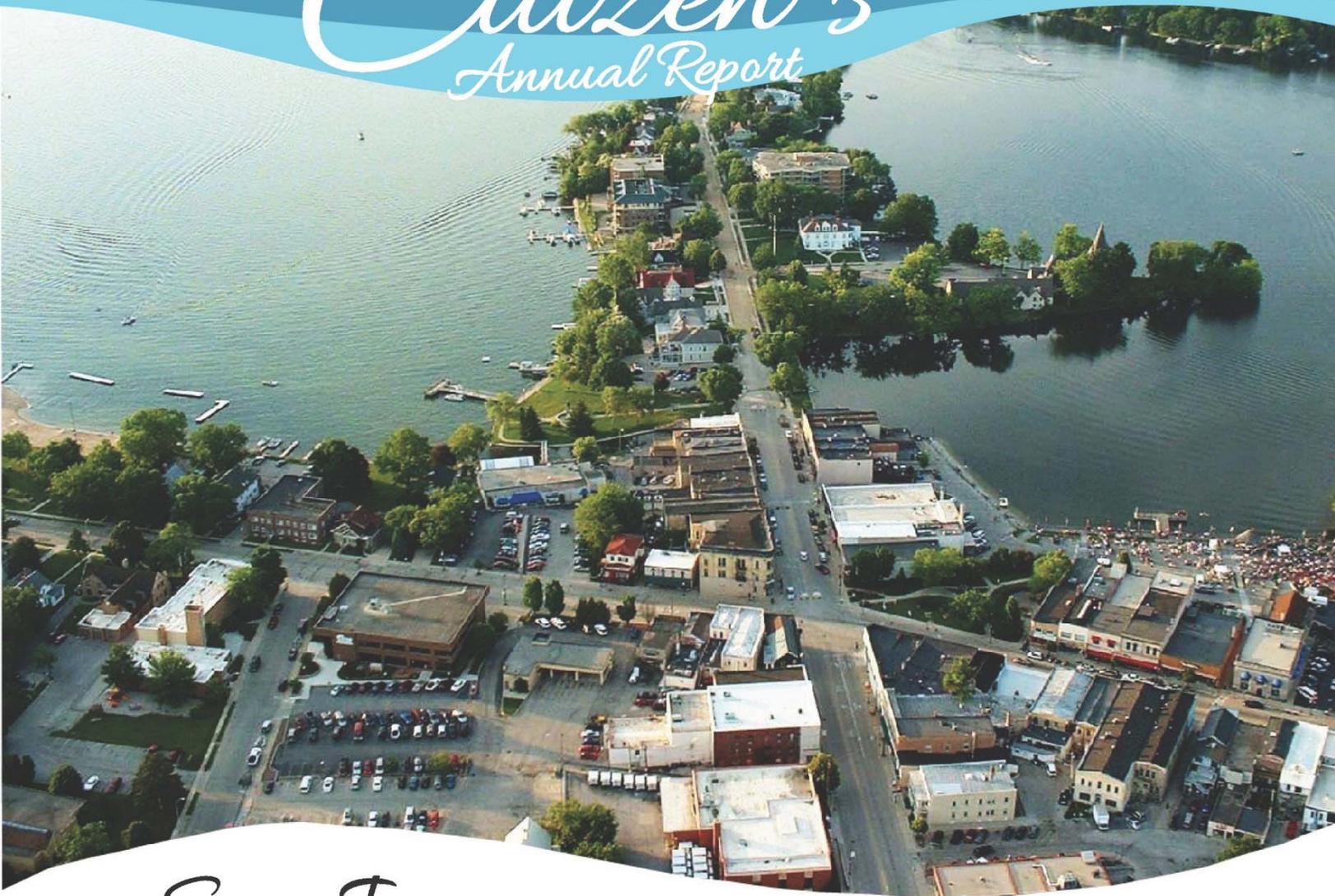
nerdwallet finance

#1 Community in Wisconsin for Job Seekers

#14 City in Wisconsin for Young Families



Citizen's Annual Report



Stay Informed



City's Website: www.oconomowoc-wi.gov



Sign-up for email and text messages from our Events Calendar and News and Announcements directly from our website through 'Notify Me:' <http://www.oconomowoc-wi.gov/list.aspx>



Like us on Facebook: [facebook.com/Oconomowoc.WI](https://www.facebook.com/Oconomowoc.WI)



Follow us on Twitter @ WI_Oconomowoc



Watch us on YouTube ~ Oconomowoc, WI

LIFE COMES
naturally
HERE