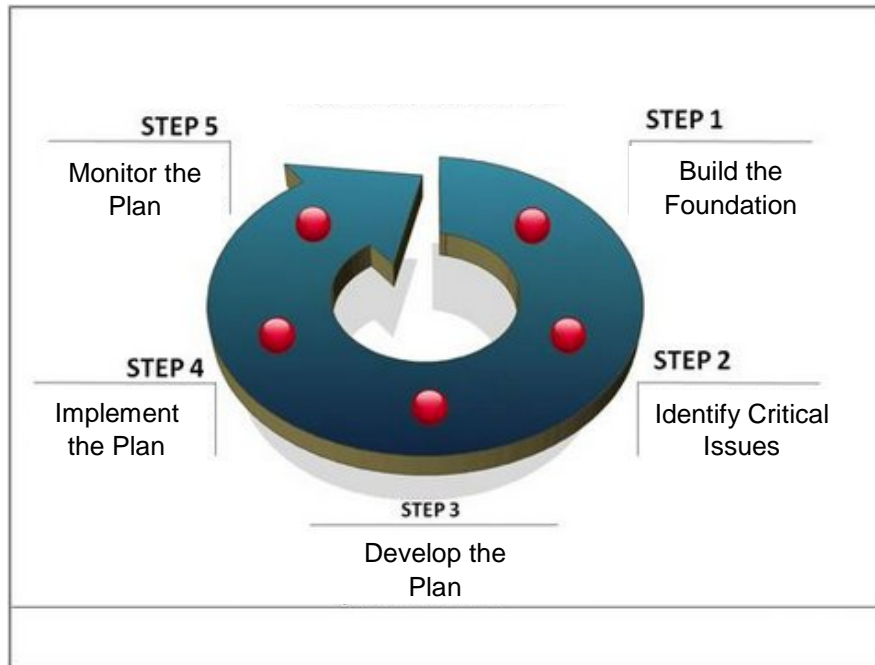


2016 Long Term Financial Plan



The LTFP is a financial strategic plan

The Village of Grafton, at the Village Board direction, annually prepares a comprehensive Long Term Financial Plan (LTFP). The LTFP is intended to serve as a tool, providing Village Board and the public with the insight required to address issues impacting the Village's financial condition. The Plan consists of the complete strategic financial plan.

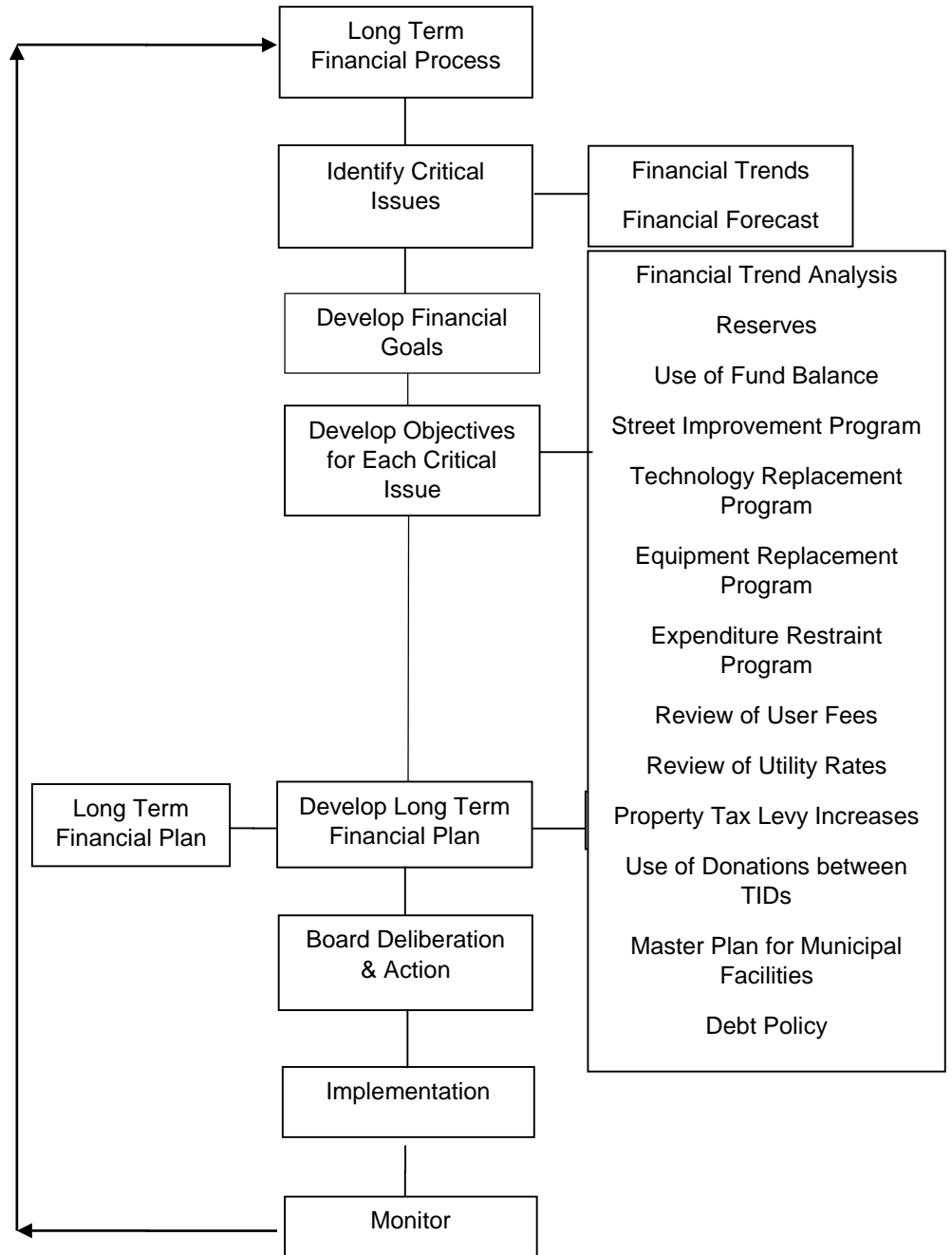
Long Term Financial Plan Process

The Long Term Financial Plan process

The Village's LTFP begins by identifying several critical areas which have, or are expected to have, an impact on the financial condition of the Village over the next five years. Once the critical issues are identified, specific goals and objectives are developed for each project designed to meet the overall goal of the project:

To provide a clear and concise Long Term Financial Plan, identifying the Village's current and projected financial condition, and proposing specific alternatives to address identified problems.

The flow chart below graphically describes the **process** that went into developing the Village's LTFP. This project was conducted largely by Village management team.



The Management Team is responsible for keeping the projects on track and on schedule. The Team also identifies when their goals and objectives are met. The key message expressed to the Management Team is that the FTFP has to be clear and concise while providing very specific and practical recommendations that addressed the issue at hand.

The LTFP is presented in detail to the Village Board each July. Following is the schedule that will be followed by the

Board as they develop or update an action plan that the Village will implement as a part of the upcoming budget process:

Schedule

June or July: LTFP provided to the Finance Committee
July: Public input and Village Board adoption

The LTFP represents elements of the Village's fiscal policy that has existed since 1991.

The LTFP for the Village of Grafton represents the ongoing focus on financial strategic plans. Elements of the LTFP have been incorporated on an annual basis into the development, deliberation and approval of the Annual Program Budget since 1991. The plan is intended to be a well thought-out analysis of issues that may affect the finances of the Village of Grafton.

Trends & Forecast are the foundation of the LTFP

The LTFP uses financial trends and forecasts to identify future financial challenges and opportunities, and then identifies strategies to secure financial sustainability within these same challenges and opportunities. The trends and forecast must identify how, from a financial perspective, the Village will provide a consistent level of public services and also address special issues of concern to the community.

Financial sustainability extends beyond the ability to raise sufficient revenue to meet expenditures by ensuring that the level and types of service expected from the community can be delivered while assessing and managing associated risks at acceptable levels of sources of revenue.

Financial Sustainability

The goal is to ensure financial sustainability through flexibility, efficiency, sufficiency, integration and credibility.

Flexibility: ability to effectively respond to changing circumstances. The capacity to be able to respond to significant atypical conditions or events needs to be considered as part this goal.

Efficiency: using public funds to provide the highest level of needed services possible within the funding available. There are two components of this goal; strive to use the least resources to provide a given level of service and to target resources at those services most valued by citizens and only providing services that provide sufficient value to justify the costs.

Funding sufficiency: having sufficient resources to support the delivery of services. This goal not only refers to the amount of funding but also to the consistency in funding level

changes relative to changes in expenditures and the diversity of funding sources.

Integration: ensuring that the financial constraints under which the Village operates are fully considered when engaging in policy-making and decision-making.

Credibility: achieving financial performance in a way that maintains public confidence in the Village's ability to provide services and infrastructure at expected levels. Financial decisions should be consistent with the overall goal of financial sustainability. Services must be valuable to citizens and the benefits provided must be perceived that the services are in proportion to the taxes and fees paid.

Financial Strategies

Financial strategies have been identified to contribute to the five financial goals.

Ensure adequate funding: obtain adequate funding from multiple sources for requirements related to day-to-day operating commitments, capital equipment life cycle and infrastructure needs, as well as managing growth and development. This would encompass a balanced approach between understanding the timing and nature of operating expenditures to ensure they are matched with reliable and stable funding sources and capital funding related to infrastructure needs and maintaining capital assets. This strategy includes identifying costs and maintaining or increasing funding from existing and new revenue sources.

Achieving diverse sources of funding: identify actions related to alternative and innovative funding sources that will help the Village respond to the pressures of growth and redevelopment and reduce the reliance on property taxes. Property taxes, user fees and intergovernmental revenue are the traditional inelastic revenue sources used to meet expenditure requirements that are continually under upward pressure which can place stress on the Village's financial position.

Managing expenditures: containing costs in order to limit pressure on revenue requirements, maintain market competitiveness and/or reserve capacity to maintain service levels. This can be accomplished by increasing efficiencies in service delivery, setting spending priorities to ensure the most important areas are funded, and positioning the Village as an efficient provider of services and infrastructure.

Providing for contingencies: prepare the Village to manage risk and to be resilient when dealing with unforeseen circumstances while limiting the impact on services. This can be accomplished by monitoring economic and operational factors and forecasts in order to be able to respond to changing circumstances and ensuring that the Village has access to enough funds to meet unforeseen urgent needs and manage risk appropriately.

Using debt strategically: provided capital funding flexibility by allowing infrastructure to be built and used before sufficient revenue has accumulated to offset needed investment. This can be accomplished by managing the level of debt and strategically making essential assets available as well as examining a wider range of debt financing instruments.

Operating with foresight: taking into account the current and future impacts of decisions on services and infrastructure. This includes maintaining or extending existing practices regarding a long-term approach in decision making.

Maintaining sufficient cash flow: allowing the Village to pay the costs of supplying services and infrastructure throughout the year match expenditure requirements, including debt service.

Promoting and enabling integration of priorities and resources: identifying and encouraging awareness of the financial implications of policy making and decision making on the Village's financial position. This can be accomplished by linking needs and actions to resources, responsibilities and timeliness among stakeholders, promoting greater efficiency by reducing duplication of effort or working at cross purposes and managing growth and development.

Input from Multi-Year Village Plans

Recommendations from the Village's multi-year plans, such as the Capital Improvement Program, Street Improvement Plan, Sidewalk Replacement Plan, and Technology Replacement Plan are included in the Long Term Financial Plan as they undoubtedly will impact the finances of the Village over the next five to ten years.

Over the past 25 years, all municipal facilities have been either newly constructed, renovated or expanded. In many cases, the projects have occurred to reflect the community's

growth or anticipated growth. Future significant projects are anticipated to be development related, i.e. transportation and utility extensions.

From a fiscal perspective, the Village's financial picture is positive. The General Fund's fund balance continues to grow, largely due to increasing revenues, but also due to significant expenditure savings experienced over the past decade.

Overall, the Village is in excellent financial shape and should be able to accommodate the growth that is anticipated over the next ten years.

***State of Wisconsin
restrictions on local
governments***

External factors imposed by the State of Wisconsin have played a key role in shaping the Village's financial picture. These factors include restrictions on property tax levy increases and restrictions on new or increases in existing user fees without corresponding reductions in property tax levy.

A note of caution....

Several Village funds are tied directly to development and consequently, are experiencing a less than favorable trend. The Village's Park and Recreational Facilities Fund, Impact Fee Fund, TID No. 3 (Downtown Redevelopment) and TID No. 4 (South Commercial District) have been significantly impacted by the slowdown in new development and drop in property values (and related property taxes). Over the past four years, the fiscal impact is a draw down in the fund's fund balances or an advance from other funds. The two TIDs have benefited from the ability of financially healthy TIDs to "donate" to them. Anticipated further property base growth in the healthy TIDs will continue to subsidize the unhealthy TIDs for many years.

The LTFP provides a framework form which the Village Board and Staff can frame future financial decisions. A 10 year history of audited financial information (2005-2014), current approved Budget (2015) and a five year projection (2016-2020).

As outlined in the 2015 Budget document the recommendations from the Village's multi-year plans are included in the LTFP as they impact the finances of the Village. All of the plans were utilized in LTFP analysis of the General Fund, tax levy and TIDs. The fiscal related issues include:

- *Financial Trend Analysis* - Completed in July, 2014 indicating all fourteen trends were favorable or caution with no negative trends. All operating position and debt indicators were favorable.
- *Reserves* – The General Fund target is maintaining a 25 percent uncommitted fund balance. The LTFP indicates that a 25 percent uncommitted fund balance is unattainable as it is anticipated expenditures will outpace revenues through 2020.
- *Use of Fund Balance as a revenue source* – The Village has not met its target of not applying more than 5 percent of uncommitted fund balance in the General Fund as a revenue source in the annual budget. The LTFP analysis excluded the budget category of Contingency as that account has been used to set expenditures at the maximum level allowed by the State of Wisconsin Expenditure Restraint Program. The Contingency account has not been utilized for a budget transfer since 2009.
- *Street Improvement Program* – The annual list of street projects is included in the 5 Year Capital Improvement Program through the allocation of tax levy. These projects may be impacted by the TID deficits projected by the TID Pro Formas. These are included later in the report.
- *Technology Replacement Program* – The annual list of recommended technology replacement items were recommended in the 5 Year Capital Improvement Program.
- *Equipment Replacement Program* – The annual list of equipment replacement items is included in the 5 Year Capital Improvement Program.
- *Fire Department Equipment Program* – The annual list of Fire Department equipment items is included in the 5 Year Capital Improvement Program. The annual tax levy contribution to this fund is fixed annually to provide adequate funding for equipment purchases as purchases range from \$20,000 to \$996,500.
- *Expenditure Restraint Program* – The analysis presumes the Village will remain eligible for this State of Wisconsin program which rewards operating (General Fund) budgets who budget annually at or below inflation plus a percentage of net new construction. The LTFP projects expenditures based on projected inflation.

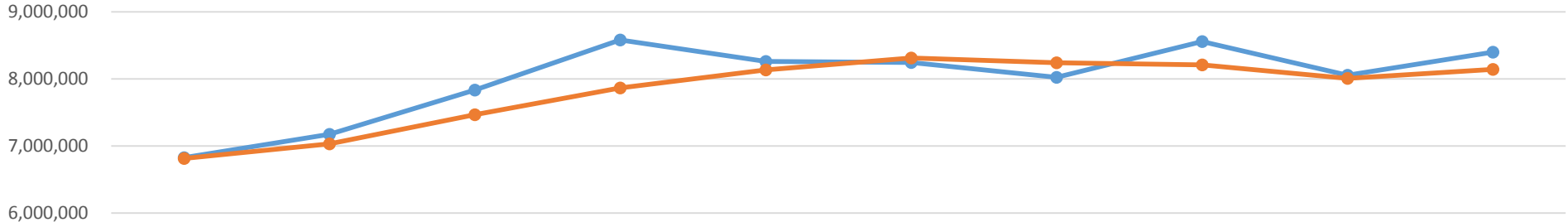
- *Review of User Fees* – The Village’s Management Team reviews existing fees for consideration of increases annually.
- *Review of Utility User Fee Rates* - Rates were increased for water and sewer in April, 2014 by 7.2 percent and 9 percent respectively.
- *Property Tax Levy Increases* – The Village guideline is to limit the assessed property tax rate to no more than inflationary levels.
- *Use of Donations between TIDs* – TID No. 2 may donate to TID No. 3 and TID NO. 5 may donate to TID No. 3 and TID No. 4. Donations have been made and are expected to continue in the future in response to annual deficits in unhealthy TIDs. An analysis and cash flow projection are included later in this analysis.
- *Master Plan for Municipal Facilities* – The Village completed this goal in 2013 as part of a systematic plan to construct, renovate or expand municipal facilities with a 25 year needs analysis for each facility.
- *Debt Policy* – This policy establishes parameters for issuing and managing debt. No more than 85 percent of the State of Wisconsin’s limit of 5 percent of equalized value of which no more than 55 percent of debt may be issued for non-TID purposes.

A financial projection of the General Fund, Debt Service Fund and tax levy requirements is included in the LTFP. An analysis of the Tax Incremental Districts was recently conducted and those results are included.

An analysis of General Fund revenues and expenditures as well as the General Fund’s fund balance. Based on actual and current budgeted revenues and expenditures as well as annual CPI changes a five year forecast was developed. Included in this analysis are calculated General Fund fund balances. A key revenue component, property taxes, is limited to net new construction increases, with current State of Wisconsin legislation establishing a floor of 0 percent plus or minus other factors of which have limited impact on the Village’s tax levy.

The following chart is a history of revenues, expenditures and fund balance of the General Fund.

**GENERAL FUND
REVENUES AND EXPENDITURE HISTORY**



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenue	6,823,149	7,172,226	7,835,677	8,580,363	8,262,087	8,244,157	8,023,912	8,557,158	8,054,910	8,400,139
Expenditures	6,811,376	7,030,594	7,465,518	7,867,479	8,133,142	8,311,277	8,242,769	8,207,953	8,008,697	8,141,395
Fund Balance	1,624,465	1,766,097	2,136,256	2,849,140	2,978,085	2,910,965	2,692,108	3,041,313	3,087,526	3,350,270

● Revenue ● Expenditures

**General Fund
Revenue Assumptions**

Revenue Assumptions

- Property Tax Levy – Current State limits continued. Tax levy increase for all funds limited to net new construction (floor of zero percent), adjustments to debt service, and additional adjustments due to annexations, transfer of services to/from another municipality, adjustments due to increase of fees for tax levy supported services and amounts approved by referendum (Fire and Rescue services referendum passed by the Village of Grafton voters). The General Fund tax levy is projected to increase 1.5 percent per year as current debt service projects a reduced annual requirement.
- Intergovernmental Revenue – Current State funding continued. Mostly stable continuation of transportation aids, expenditure restraint program, state shared revenue program and recycling grant. This revenue category is projected to increase 0.75 percent per year.
- All Other Revenue – Includes Permit and Licenses, Fines and Forfeitures, Charges for Services, and miscellaneous income. Slight increase anticipated in construction related permits due to construction activity of new residential development. All other revenues in this classification anticipated to remain stable.
- Other Financing Sources – Conservatively estimated with slight change or no change.

**General Fund
Expenditures
Assumptions**

Expenditure Assumptions

- Personnel Expenditures – Wages and benefits, including Wisconsin Retirement System (rates determined by the state) and health insurance (uncontrollable expenditure). This expenditure classification is 65 percent of the 2015 Budget and 69 percent of actual 2014 expenditures.
- Non-Personnel Expenditures – Contractual services, office supplies, utilities, gasoline, liability and property insurance, training and conferences and communications are the main expenses.

Based upon these assumptions the General Fund projects an accumulated deficit in fund balance of \$1,854,320. The approved 2015 Budget numbers (less Contingency Account) are used as the basis for projecting 2016-2020.

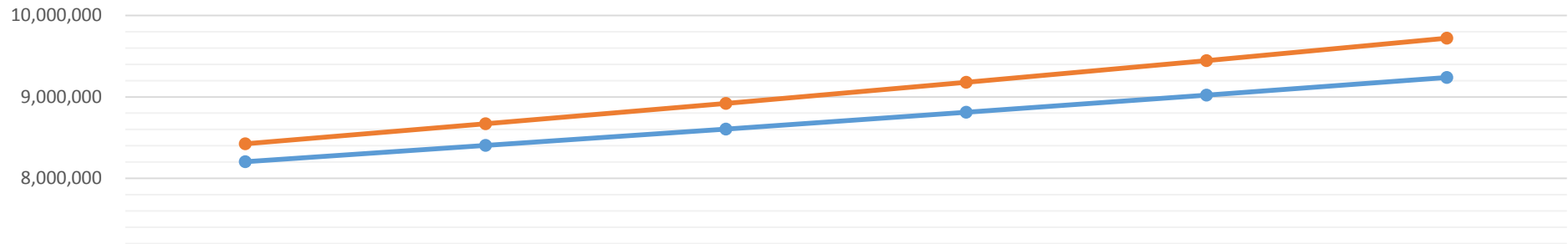
The following chart shows the projected General Fund revenue and expenditures for 2015-2020 and also indicated the projected fund balance.

The following assumptions were used in calculating projections;

- An annual inflation rate of 2.4 percent for revenues;
- An annual inflation rate of 2.9 percent for expenditures.

GENERAL FUND
REVENUES AND EXPENDITURE FORECAST

Initial Inflation Rates Forecast:
Revenue - 2.4 percent
Expenditures - 2.9 percent
Accumulated Deficit - \$1,854,320



	2015	2016	2017	2018	2019	2020
Revenue	8,205,965	8,402,908	8,604,578	8,811,088	9,022,554	9,239,095
Expenditures	8,424,971	8,669,295	8,920,705	9,179,405	9,445,608	9,719,531
Fund Balance	3,131,264	2,864,877	2,548,750	2,180,433	1,757,379	1,276,944

● Revenue ● Expenditures

The chart on the following page shows the projected General Fund revenues and expenditures by category for 2005-2020.

General Fund

Revenue Sources & Percentage

	2005		2006		2007		2008		2009	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Property Tax	4,412,905	64.68%	4,531,509	63.18%	4,856,802	61.98%	5,181,204	60.38%	5,369,815	64.99%
Other Taxes	227,271	3.33%	222,851	3.11%	251,807	3.21%	301,314	3.51%	134,709	1.63%
Intergovernmental Revenue	1,285,395	18.84%	1,306,836	18.22%	1,269,093	16.20%	1,268,475	14.78%	1,293,379	15.65%
All Other Revenue	848,619	12.44%	1,107,432	15.44%	1,384,032	17.66%	1,766,734	20.59%	1,184,440	14.34%
Other Financing Sources	48,959	0.72%	3,598	0.05%	73,943	0.94%	62,636	0.73%	279,744	3.39%
	6,823,149	100.00%	7,172,226	100.00%	7,835,677	100.00%	8,580,363	100.00%	8,262,087	100.00%

	2010		2011		2012		2013		2014	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Property Tax	5,608,259	68.03%	5,187,206	64.65%	5,443,755	63.62%	4,953,042	61.49%	5,005,092	59.58%
Other Taxes	139,008	1.69%	178,010	2.22%	221,012	2.58%	226,587	2.81%	225,463	2.68%
Intergovernmental Revenue	1,284,836	15.58%	1,392,557	17.36%	1,319,782	15.42%	1,410,259	17.51%	1,431,008	17.04%
All Other Revenue	941,163	11.42%	990,146	12.34%	1,302,112	15.22%	1,194,490	14.83%	1,463,442	17.42%
Other Financing Sources	270,891	3.29%	275,993	3.44%	270,497	3.16%	270,532	3.36%	275,134	3.28%
	8,244,157	100.00%	8,023,912	100.00%	8,557,158	100.00%	8,054,910	100.00%	8,400,139	100.00%

	2015 Budget		2016 Estimated		2017 Estimated		2018 Estimated		2019 Estimated		2020 Estimated	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Property Tax	5,055,853	61.61%	5,131,691	61.07%	5,208,666	60.53%	5,286,796	60.00%	5,366,098	59.47%	5,446,590	60.37%
Other Taxes	229,000	2.79%	229,000	2.73%	229,000	2.66%	229,000	2.60%	229,000	2.54%	229,000	2.54%
Intergovernmental Revenue	1,391,578	16.96%	1,402,015	16.68%	1,412,530	16.42%	1,423,124	16.15%	1,433,797	15.89%	1,444,551	16.01%
All Other Revenue	1,259,133	15.34%	1,364,210	16.23%	1,483,885	17.25%	1,601,636	18.18%	1,718,524	19.05%	1,843,820	20.44%
Other Financing Sources	270,401	3.30%	275,993	3.28%	270,497	3.14%	270,532	3.07%	275,134	3.05%	275,134	3.05%
	8,205,965	100.00%	8,402,908	100.00%	8,604,578	100.00%	8,811,088	100.00%	9,022,554	100.00%	9,239,095	102.40%

General Fund
Expenditures & Percentage

2005		2006		2007		2008		2009		
Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	
Personnel	4,355,451	63.94%	4,425,672	62.95%	4,667,739	62.52%	5,024,327	63.86%	5,264,580	64.73%
Non-Personnel	2,455,925	36.06%	2,604,922	37.05%	2,797,779	37.48%	2,843,152	36.14%	2,868,562	35.27%
	6,811,376	100.00%	7,030,594	100.00%	7,465,518	100.00%	7,867,479	100.00%	8,133,142	100.00%

2010		2011		2012		2013		2014		
Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	
Personnel	5,392,120	64.88%	5,452,652	66.15%	5,593,095	68.14%	5,564,853	69.49%	5,650,729	69.41%
Non-Personnel	2,919,157	35.12%	2,790,117	33.85%	2,614,858	31.86%	2,443,844	30.51%	2,490,666	30.59%
	8,311,277	100.00%	8,242,769	100.00%	8,207,953	100.00%	8,008,697	100.00%	8,141,395	100.00%

2015 Budget		2016 Estimated		2017 Estimated		2018 Estimated		2019 Estimated		2020 Estimated		
Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	
Personnel	5,713,152	67.81%	5,855,981	67.55%	6,002,380	67.29%	6,152,440	67.02%	6,306,251	66.76%	6,463,907	66.50%
Non-Personnel	2,711,819	32.19%	2,813,314	32.45%	2,918,325	32.71%	3,026,965	32.98%	3,139,357	33.24%	3,255,624	33.50%
	8,424,971	100.00%	8,669,295	100.00%	8,920,705	100.00%	9,179,405	100.00%	9,445,608	100.00%	9,719,531	100.00%

Tax Levy Revenue

Tax levy revenue is the largest revenue source for Village services and projects. The revenue chart shown previously is tax levy for General Fund purposes only. Tax levy is limited under current state law as previously noted.

Tax levy revenue is collected for the following funds:

- General Fund – Largest tax levy portion is allocated to this fund which is the operating fund of the Village (projected to increase 1.5 percent annually);
- Fire and Rescue Operations – Partially approved by referendum and tax levy frozen at the 2015 approved budgeted funding level;
- Park and Open Space Fund – Reflects amounts approved in the 2016 - 2020 Capital Improvement Program;
- Library – Tax levy frozen at the 205 budgeted funding level;
- Debt Service – Reflects current tax levy requirements prior to debt issued in 2015.
- Capital Projects – Reflects amounts approved in the 2016 – 2020 Capital Improvement Program;
- Capital Equipment – Reflects amounts approved in the 2016 - 2020 Capital Improvement Program;
- Fire and Rescue Capital – Reflects amounts approved in the 2016 – 2020 Capital Improvement Program.

Tax levy funding, as indicated above, reflects actual requirements or approved amounts identified in the 5 Year (2016-2020) Capital Improvement Program. The funds supported by tax levy will provide sufficient revenue to support the expenditures identified and retain sufficient fund balances.

Tax levy limits under current state law may change with future legislation and need to be monitored to adjust future long-range forecasts as necessary. Future limitations could impact the ability of the Village to deliver services.

The following table indicates the historical, current year and projected property tax levy requirements for all funds. Please note that the Fire and Rescue Services Operations and Capital Equipment property tax levy requirements were collected as part of the General Fund tax levy and paid to the Grafton Volunteer Fire Department, Inc., which was the volunteer service that provided fire and rescue services for the Village until referendum approved by Village of Grafton voters in November, 2012 to transfer services to the Village as a Village department effective January 1, 2013.

Village of Grafton
Property Tax Levy, All Funds
History and Projections

<u>Fund</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General	4,412,905	4,531,509	4,856,802	5,181,204	5,369,815	5,608,259	5,187,206	5,443,755	4,953,042	5,005,092
Fire & Rescue Operations	-	-	-	-	-	-	-	-	490,445	334,353
Park & Open Space Fund	-	20,000	25,000	25,000	25,000	26,500	25,000	30,000	30,000	30,000
Library	-	-	-	-	-	-	463,100	457,830	457,830	474,148
Debt Service	890,000	995,082	945,889	775,000	775,000	819,639	749,563	690,457	573,032	523,758
Capital Projects	247,066	255,000	255,000	280,000	309,301	191,151	346,683	265,930	632,115	646,721
Capital Equipment	244,845	245,000	176,500	190,100	210,000	203,733	176,632	240,364	242,320	287,567
Fire & Rescue Capital	-	-	-	-	-	-	-	-	-	156,092
	5,794,816	6,046,591	6,259,191	6,451,304	6,689,116	6,849,282	6,948,184	7,128,336	7,378,784	7,457,731

<u>Fund</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General	5,055,853	5,131,691	5,208,666	5,286,796	5,366,098	5,446,590
Fire & Rescue Operations	320,913	320,913	320,913	320,913	320,913	320,913
Park & Open Space Fund	35,000	35,000	35,000	35,000	35,000	35,000
Library	480,216	480,216	480,216	480,216	480,216	480,216
Debt Service	403,906	444,026	405,164	351,559	331,779	310,225
Capital Projects	731,444	657,976	690,431	695,000	695,000	690,215
Capital Equipment	316,143	329,900	316,000	342,000	342,000	345,800
Fire & Rescue Capital	156,092	156,092	156,092	156,092	156,092	156,092
	7,499,567	7,555,814	7,612,482	7,667,576	7,727,098	7,785,051

TID Financial Analysis

Recently a cash flow pro forma of the Tax Incremental Districts (TIDs) was completed by Ehlers, Inc. A summary of each TID is included for review. Ehlers, Inc. performs Pro Formas in the analysis of debt issuance to assist in indicating a debt structure that the TIDs could support. Please note that the majority of TID expenditures are debt service requirements to repay debt issued for various projects conducted in the TID such as Wisconsin Avenue road improvements, purchase of land for development or parking lots, the Riverwalk, Paramount Plaza and developer incentives.

The TID No. 2 and TID No. 5 Pro Formas indicate sufficient revenues will be generated to meet or exceed the projected expenditures. The TID No. 3 and TID No. 4 Pro Formas indicate that the revenues generated annually will not meet the projected expenditures in some individual years but both TIDs are expected to have a positive balance when legally required to close. Included in the analysis is donations or advances made by TID No. 2 and TID No. 5 to TID No. 3 and TID No. 4.

The projected annual shortfalls by TID No. 3 and TID No. 4 are the main issues that impact the Village negatively financially.

The presentation of the TIDs will be the same period (2005-2020) as presented for the other analysis even though, except for TID No. 2, will remain open after 2020.

TID No. 2

TID No. 2 projects to have a cumulative balance of \$0 when closing in 2020. This is due to anticipated donations of \$3,638,913 to TID No. 3.

Tax Incremental District No. 2
 Grafton Business Park
 Cash Flow Pro Formas

Year	Tax Increments	Other Revenues	Total Revenues	Debt Service	Donation to TID No. 3	Transfer to TID No. 4	Other Expenditures	Total Expenditures	Annual Balance	Cumulative Balance
2005	275,828	30,774	306,602	193,487	-	-	2,200	195,687	110,915	549,824
2006	232,986	51,376	284,362	141,497	-	-	22,372	163,869	120,493	670,317
2007	230,462	55,511	285,973	138,311	-	-	275,541	413,852	(127,879)	542,438
2008	221,386	28,406	249,792	142,533	-	-	20,194	162,727	87,065	629,503
2009	228,785	19,052	247,837	146,249	-	-	16,685	162,934	84,903	714,406
2010	243,588	13,052	256,640	146,918	627,735	23,938	9,849	808,440	(551,800)	162,606
2011	204,207	12,133	216,340	-	233,941	-	10,365	244,306	(27,966)	134,640
2012	216,397	386,628	603,025	2,674	165,198	197,127	350,740	715,739	(112,714)	21,926
2013	224,099	43,110	267,209	39,863	-	239,245	10,027	289,135	(21,926)	-
2014	230,553	91,778	322,331	39,538	268,672	-	14,121	322,331	-	-
2015	383,181	40,031	423,212	39,213	383,999	-	-	423,212	-	-
2016	383,181	41,880	425,061	38,850	369,962	-	16,249	425,061	-	-
2017	430,546	41,668	472,214	43,388	396,327	-	32,499	472,214	-	-
2018	435,053	41,405	476,458	42,825	401,134	-	32,499	476,458	-	-
2019	439,605	93,905	533,510	42,206	458,805	-	32,499	533,510	-	-
2020	444,202	14,406	458,608	92,969	333,140	-	32,499	458,608	-	-

TID No. 3

The Pro Forma for TID No. 3 projects to cash flow when the TID closes in 2026. However, individual annual deficit balances occur which have financial implications. Previously the TID has received donations from TID No. 2 and TID No. 5 to fund annual deficits when possible. When TID No. 2 and TID No. 5 were unable to make donations to TID No. 3 the Capital Project Fund made an advance.

Currently revenue, mainly tax increments, is not sufficient to cover annual expenditures, mainly debt service requirements related to Wisconsin Avenue improvements, construction of the Riverwalk and Paramount Plaza, Bridge Street dam improvements, property purchases for redevelopment and construction of parking lots and developer incentive. However, at the end of TID No. 3's life in 2026, it is anticipated that the balance will be \$0, in essence making the TID whole at closure.

In recognition of the annual deficits the TID will be receiving donations from TID No. 2 and TID No. 5 which will make the TID whole in all years except for 2016. Staff will be looking at additional alternatives to alleviate this deficit which could include earmarking savings from reduced need of tax levy in the Debt Service Fund to advance these savings to TID No. 3 for making debt service payment, reducing expenditures such as staff charges from the General Fund, and advances from other funds.

Tax Incremental District No. 3
Downtown Business District
Cash Flow Pro Formas

Year	Tax Increments	Other Revenues	Donation from TID No. 2	Donation from TID No. 5	Advance from Capital Projects	Total Revenues	Debt Service	Other Expenditures	Total Expenditures	Annual Balance	Cumulative Balance
2005	182,241	6,229,965	-	-	-	6,412,206	364,109	2,213,694	2,577,803	3,834,403	5,343,515
2006	202,617	3,104,517	-	-	-	3,307,134	740,565	5,188,033	5,928,598	(2,621,464)	2,722,051
2007	365,706	1,280,483	-	-	-	1,646,189	887,766	1,576,772	2,464,538	(818,349)	1,903,702
2008	490,149	211,707	-	-	-	701,856	981,633	628,327	1,609,960	(908,104)	995,598
2009	599,854	463,130	-	-	-	1,062,984	1,021,666	1,293,203	2,314,869	(1,251,885)	(256,287)
2010	670,161	1,125,966	627,735	-	-	2,423,862	1,076,576	730,999	1,807,575	616,287	360,000
2011	619,469	86,304	233,941	-	-	939,714	1,268,912	430,803	1,699,715	(760,001)	(400,001)
2012	601,433	37,398	165,198	428,246	98,061	1,330,336	1,086,570	243,766	1,330,336	-	(400,001)
2013	595,040	1,419,628	-	51,878	-	2,066,546	1,187,784	1,391,311	2,579,095	(512,549)	(912,550)
2014	597,158	450,109	268,667	211,542	142,941	1,670,417	1,264,799	714,701	1,979,500	(309,083)	(1,221,633)
2015	550,131	1,438,278	383,999	226,498	-	2,598,906	1,333,243	606,847	1,940,090	658,816	(562,817)
2016	515,810	10,877	369,962	215,293	-	1,111,942	1,383,958	141,445	1,525,403	(413,461)	(976,278)
2017	525,527	43,376	396,327	551,869	-	1,517,099	1,517,099	-	1,517,099	-	(976,278)
2018	723,745	43,376	401,134	432,958	-	1,601,213	1,601,213	-	1,601,213	-	(976,278)
2019	735,541	43,376	458,805	746,619	-	1,984,341	1,984,341	-	1,984,341	-	(976,278)
2020	893,828	43,376	333,140	727,668	-	1,998,012	1,998,012	-	1,998,012	-	(976,278)

TID No. 4

The Pro Forma for TID No. 4 projects to cash flow when the TID closes in 2026. However, individual annual deficit balances occur which have financial implications. Previously the TID has received donations from TID No. 5 and advances from TID No. 2 to fund annual deficits when possible. When TID No. 2 and TID No. 5 were unable to make contributions to TID No. 4 the Capital Project Fund made an advance.

Currently revenue, mainly tax increments, is not sufficient to cover annual TID No. 4 expenditures, mainly debt service requirements related to Wisconsin Avenue improvements and developer incentive. However at the end of TID No. 4's life in 2032 it is anticipated that the balance will be \$6,167,237, in essence making the TID whole at closure.

In recognition of the annual deficits, TID No. 4 will be receiving donations from TID No. 5. These donations are not sufficient for making debt service payments, therefore; staff will be looking at additional alternatives to alleviate this deficit which could include earmarking savings from reduced need of tax levy in the Debt Service Fund to advance these savings to TID No. 4 for making debt service payment, reducing expenditures such as staff charges from the General Fund, and advances from other funds.

TID No. 5

TID No. 5 projects to have a fund balance of \$947,264 upon closure in 2033. Donations to TID No. 3 and TID No. 4 will occur annually to aid with the deficits created in those TIDs.

Tax Incremental District No. 4
 South Commercial District
 Cash Flow Pro Forma

Year	Tax Increments	Other Revenues	Advance from TID No. 2	Donation from TID No. 5	Advance from Cap Pro Fund	Total Revenues	Debt Service	Other Expenditures	Total Expenditures	Annual Balance	Cumulative Balance
2005	-	2,860,410	-	-	-	2,860,410	-	399,946	399,946	2,460,464	2,370,196
2006	119,915	1,417,159	-	-	-	1,537,074	141,170	3,735,615	3,876,785	(2,339,711)	30,485
2007	160,176	1,241,703	-	-	-	1,401,879	193,149	156,990	350,139	1,051,740	1,082,225
2008	227,773	4,925,727	-	-	-	5,153,500	328,130	5,180,050	5,508,180	(354,680)	727,545
2009	271,599	37,994	-	-	-	309,593	432,591	118,580	551,171	(241,578)	485,967
2010	221,136	129,981	-	23,937	-	375,054	564,069	296,952	861,021	(485,967)	-
2011	278,341	238,390	-	-	-	516,731	363,060	31,326	394,386	122,345	122,345
2012	311,290	26,559	197,127	452	-	535,428	613,853	43,920	657,773	(122,345)	-
2013	220,055	112,950	239,245	46,036	-	618,286	567,419	50,867	618,286	-	-
2014	209,042	361,979	-	16,727	58,415	646,163	584,800	61,363	646,163	-	-
2015	178,842	627,473	-	-	-	806,315	763,095	99,000	862,095	(55,780)	(55,780)
2016	225,789	31,500	-	-	-	257,289	764,560	-	764,560	(507,271)	(563,051)
2017	238,413	31,500	-	32,312	-	302,225	818,580	-	818,580	(516,355)	(1,079,406)
2018	532,818	31,500	-	43,571	-	607,889	753,353	85,620	838,973	(231,084)	(1,310,490)
2019	678,507	31,500	-	66,554	-	776,561	776,353	184,167	960,520	(183,959)	(1,494,449)
2020	695,658	31,500	-	93,649	-	820,807	778,617	167,179	945,796	(124,989)	(1,619,438)

Tax Incremental District No. 5
 Grafton Commons
 Cash Flow Pro Forma

Year	Tax Increments	Other Revenues	Total Revenues	Donation to TID No. 3	Donation to TID No. 4	Debt Service	Other Expenditures	Total Expenditures	Annual Balance	Cumulative Balance
2005	-	-	-	-	-	-	-	-	-	-
2006	-	3,489,685	3,489,685	-	-	-	653,122	653,122	2,836,563	2,836,563
2007	-	1,304,234	1,304,234	-	-	203,625	3,672,406	3,876,031	(2,571,797)	264,766
2008	51,923	251,278	303,201	-	-	212,509	38,841	251,350	51,851	316,617
2009	497,270	9,936	507,206	-	-	673,736	13,369	687,105	(179,899)	136,718
2010	811,180	38,539	849,719	-	-	657,546	111,771	769,317	80,402	217,120
2011	850,108	13,167	863,275	-	-	727,746	12,849	740,595	122,680	339,800
2012	820,524	28,743	849,267	428,246	452	724,347	36,022	1,189,067	(339,800)	-
2013	813,739	22,058	835,797	51,878	46,036	725,146	12,737	835,797	-	-
2014	825,155	16,922	842,077	211,542	16,727	599,946	13,862	842,077	-	-
2015	787,394	22,600	809,994	226,498	-	568,746	14,750	809,994	-	-
2016	779,819	21,750	801,569	215,293	-	573,926	12,350	801,569	-	-
2017	787,725	21,750	809,475	551,869	32,312	212,944	12,350	809,475	-	-
2018	795,709	21,750	817,459	432,958	43,571	-	340,930	817,459	-	-
2019	803,773	21,750	825,523	746,619	66,554	-	12,350	825,523	-	-
2020			833,667	727,668	93,649	-	12,350	833,667	-	-

Summary

The LTFP is designed to be a dynamic document that is modified based on current or new conditions. External factors play a key role in determining the financial picture of the Village. The external factors include legislation approved by the State of Wisconsin, development and the economy. These factors may impact the financial picture positively or negatively.

The current financial situation reflects a strong financial position, prudent fiscal practices and solid reserves for the funds included on the LTFP. The financial condition of the TIDs were recently completed indicating that in 2016 and 2017 two of the TIDs would need additional sources of revenue to cash flow and meet debt service requirements. The TIDs were not included with the LTFP. Without action to these issues, the Village will become increasingly challenged to provide the services and infrastructure that the residents and taxpayers expect and value.

Projected Annual Shortfalls in General Fund for 2015 – 2020

The LTFP indicates that the gap between the General Fund revenues/funding and expenditures over the next five years may increase. The operating, capital projections and debt service requirements (non-TID) have been calculated based on the identified assumptions that would maintain existing types of services and infrastructure. The General Fund operating revenue and expenditure projection (2015-2020) results in increasing annual shortfalls of approximately \$1.8 million during this period. Addressing infrastructure maintenance could increase that amount.

Projections indicate revenue will not be able to meet demands for services and infrastructure improvements. The Village will be furthered challenged by continued growth, economic volatility as well as other factors. Without action to address these challenges the Village will face increasing financial pressure in providing services and infrastructure. The Village needs to develop and implement actions that support the necessary financial strategies identified in order to achieve those financial goals that will maintain or enhance financial sustainability while continuing to provide services and infrastructure expected and valued by residents and taxpayers.

The impacts of implementing strategies will be monitored to determine effectiveness and whether strategies need to be adjusted as well as monitoring changes to the economy and external developments that may affect the Village financially.

MAJOR REVENUE SOURCES, TRENDS, AND ASSUMPTIONS

Incorporating all Village funds, the Village's major revenue sources are: General Property Taxes, TIF (Tax Incremental Finance) Increments, General Obligation Proceeds (GO Debt Proceeds), and Sewer Charges - Residential. These four revenues represent \$13,837,643 or 49 percent of the overall 2016 revenue.

General Property Taxes – In comparing the 2013 Actual to 2016 Adopted, General Property Taxes will increase 3.6 percent (or a 1.2 percent average annual increase). General Property Taxes are collected to support the General Fund, Parks and Open Space Fund, Library Fund, Fire and Rescue Services Fund, Debt Service Fund, Capital Projects Fund, Equipment Fund and Fire Department Equipment Fund. During this period, (net of new construction) the 2015 non-TID property tax base (used for finance the 2016 budget) is 4.3 percent higher than the 2012 non-TID property tax base (used to finance the 2013 budget). The Village will see over the next two years a leveling off of the increase in property tax levy amount due to limited new construction. Annual projected 2017 and 2018 increases in the property tax levy are less than 2.0 percent. The State of Wisconsin has enacted tax levy limits on municipalities limiting property tax increases to percentage increase of new construction with limited adjustments based on debt service, referendum approval, fee adjustments, annexations, etc.

TIF Increments – In comparing the 2013 Actual to 2016 Adopted, TIF Increments have increased 32.9 percent. The Village has four TIDs to which this revenue source supports. TIF Increment is generated from the additional value of property created in the district and are used to support projects within a district including tax revenue from other tax jurisdictions which remain with the district. The projections for this revenue source for 2017 and 2018 is a slight increase due to new development created within each district.

General Obligation Debt Proceeds – In comparing 2013 Actual to 2016 Adopted, the amount of the Debt Proceeds has averaged \$6,227,422. This includes proceeds from refinancing of existing debt. Consistent with the Village's 5 year Capital Improvement Program, the 2017 and 2018 projected borrowings are \$170,000 and \$675,000 respectively.

Sewer Charges - Residential - In late 2013, the Village Board approved sewer rate increases which resulted in an overall revenue increase of 9 percent. The new rates were effective April 1, 2014. This is the first rate increase since December 2009. This revenue source is anticipated to increase slightly in 2017 and 2018 due to water use associated with limited new construction (sewer charges are based on water usage).

GENERAL FUND

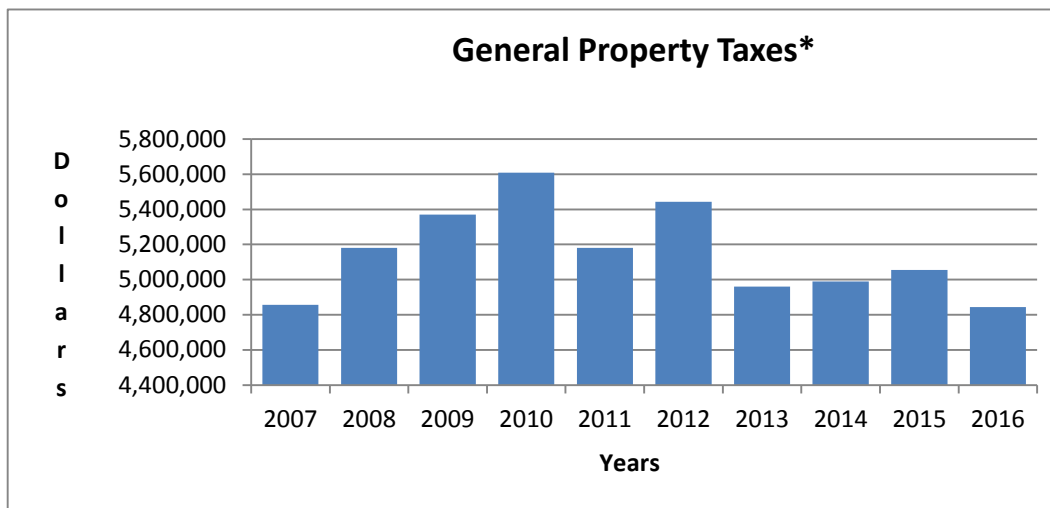
The top four major revenue sources ranked in descending order are General Property Taxes, Use of Fund Balance, State – Transportation Aids, and State – Shared Revenue. These three categories comprise 79 percent of the 2016 General Fund revenue sources.

The table below shows a four year history of the top four major revenue sources.

TOP FOUR MAJOR REVENUE SOURCES					
	2013	2014	2015	2015	2016
	Actual	Actual	Adopted	Estimated	Adopted
General Property Taxes	\$4,960,375	\$4,997,727	\$5,055,853	\$5,055,853	\$4,595,968
Use of Fund Balance	\$0	\$0	\$644,734	\$0	\$1,320,423
State – Transportation Aids	\$762,662	\$763,782	\$762,782	\$757,995	\$702,861
State – Shared Revenue	\$436,314	\$491,525	\$499,503	\$498,621	\$481,100

Property Taxes

(In the State of Wisconsin, General Property Taxes based upon value of real estate property and business-related personal property.) This is the Village’s largest source of revenue at 51 percent. The property tax amount that will be generated to fund the 2016 General Fund Budget is \$4,595,968 as compared to \$5,055,853 for the 2015 budget or 57 percent of General Fund revenues. (Please note that in addition to the General Fund, the Debt Service Fund (\$403,906), Capital Projects Fund (\$1,101,943), Equipment Fund (\$304,900), Fire Department Equipment Fund (\$156,092), Library Fund (\$480,216), Fire Protection and Rescue Fund (\$568,533), and Park and Open Space Fund (\$35,000) also receive property taxes as a revenue source.)



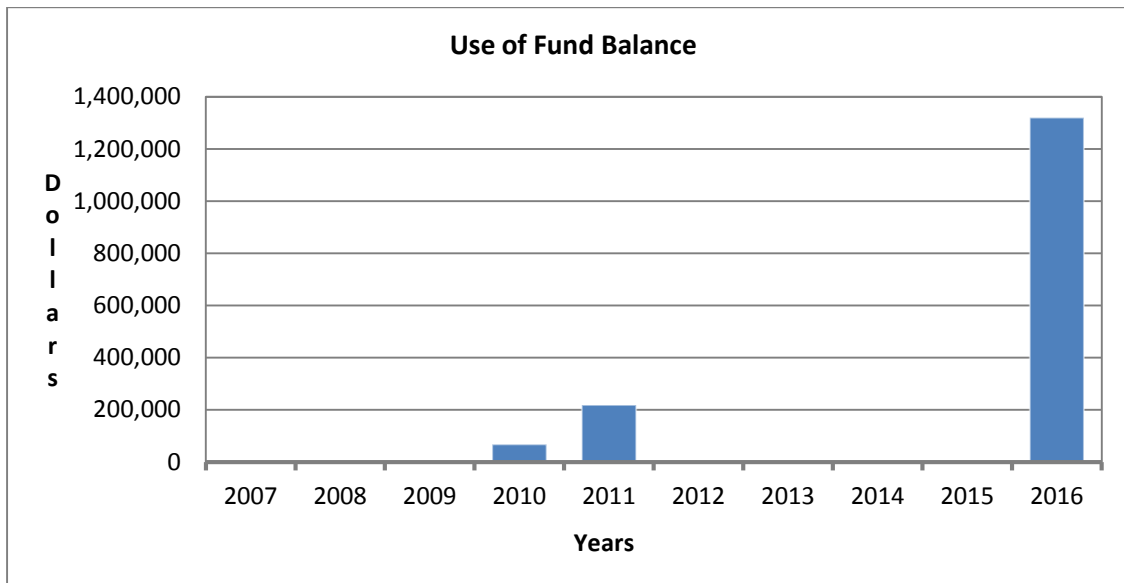
*For the General Property Taxes graph as well as all other graphs, please note that years 2007-2014 are actual, 2015 is estimated, and 2016 is adopted.

(In 2015, the Village's property tax base increased by \$44,624,400 or 3.9 percent. Of the 3.9 percent, approximately 1.9 percent is due to an increase in property value and a 2.0 percent increase is due to new construction.) Factors affecting the allocation of General Property Taxes to the General Fund in the near future includes limited new property tax base increases due to limited demand for new single housing construction, and existing debt associated with the construction of the Municipal Services Facility.

Use of Fund Balance

Use of fund balance is the identified amount of fund balance used to balance the budget. This is a method utilized to fund one-time expenditures, one-time loss of revenue, stabilize the tax levy or other revenue sources or avoid issuance of debt. Identified in the 2016 budget is the use of fund balance of \$1,320,423. The following chart identifies the budgeted use of fund balance and the actual use of fund balance.

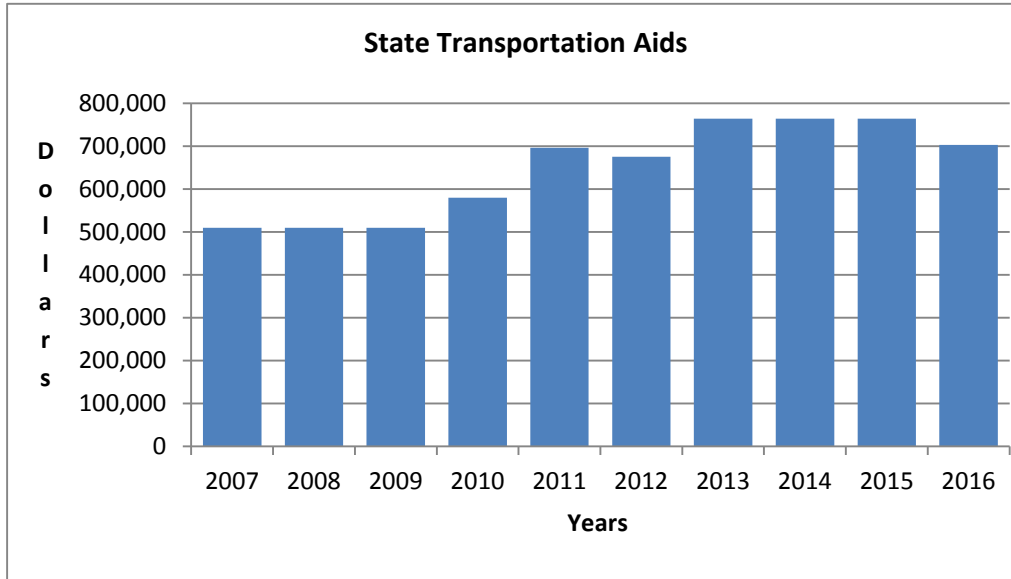
USE OF FUND BALANCE					
	2013	2014	2015	2015	2016
	Actual	Actual	Adopted	Estimated	Adopted
Budgeted	\$412,747	\$631,549	\$644,734	\$0	\$1,320,423
Actual	\$0	\$0	\$0	\$0	N/A



As the chart shows the Village anticipates the use of fund balance during the budget process but has always seen an increase in fund balance. The actual increase in fund balance for 2013 and 2014 was \$46,213 and \$262,741 respectively. The 2016 Budget identifies a projected increase in the 2015 fund balance of \$196,578.

State – Transportation Aids

State – Transportation Aids recognizes local government’s past costs for constructing and maintaining local streets. Funding for State – Transportation Aids is based on a formula that includes actual expenditures of eligible expenditures for local street maintenance and number of street miles.



In 2016, the Village will receive \$752,150 of which \$702,861 (8 percent of the General Fund revenue) is assigned to the General Fund. The total amount of State – Transportation Aids received from the State in 2015 was \$807,284. (The 2013 revenue is the highest amount in over 10 years due to the State funding formula which recognizes the Village’s recent significant street reconstruction efforts in the Downtown, East Side and the South Commercial Districts plus the construction of the Municipal Services Facility.) The remaining \$49,289 in 2016 has been allocated to the Capital Projects Fund to assist in paying for the 2016 Street Improvement Program.

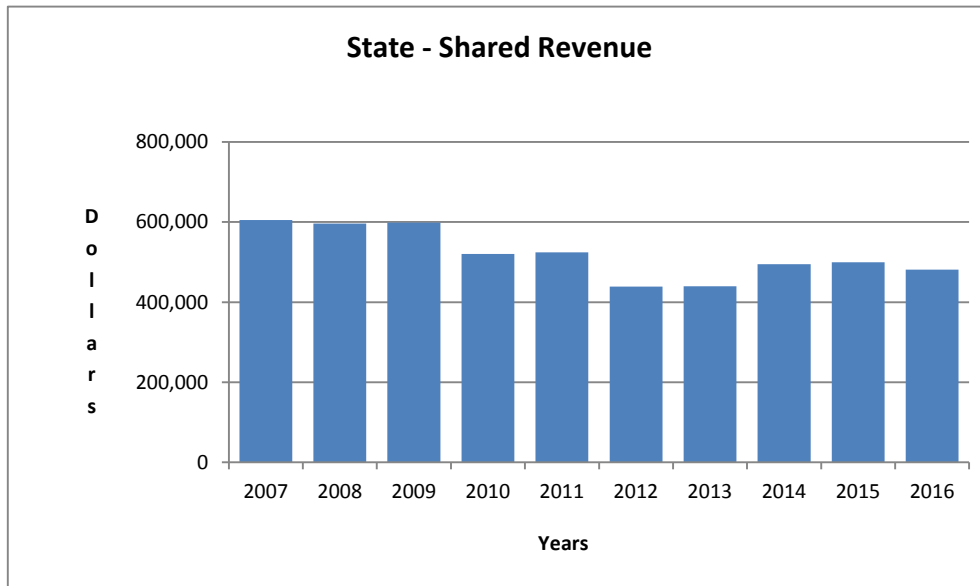
The Village anticipates that future State – Transportation Aids will decrease by the maximum-allowed annual decrease of 10 percent. This is due to the State formula which uses a six year average of the Village expenses associated with street construction or reconstruction efforts. With the exception of 2007, the Village has been consistent in its expenditures in the past six years.

State – Shared Revenue

This revenue category consists of monies received from two state programs. One is the Shared Revenue program which is based on population and equalized property values. The other is the Expenditure Restraint Program which rewards municipalities with TID-out property tax rates above five mills that keep their General Fund expenditure increases below a limit of CPI increases and a growth factor based on new construction.

For the 2016 budget, the Village anticipates \$481,100 (5 percent of the General Fund revenue) from these two programs. Since 2007, this revenue has declined 20.5 percent from the amount received of \$604,994.

Below is a 10-year history of the State – Shared Revenue received by the Village. This revenue category has continued to decline over the 10-year period.



The state funding level of these programs is expected to decline. Continued losses of this revenue source will potentially impact tax levy, use of applied fund balance, an increase in fees, or cuts in expenditures.

SPECIAL REVENUE FUNDS

Library Fund

The top two major revenue sources are General Property Taxes and Town of Grafton contribution. These two categories comprise 90 percent of the Fund’s revenue sources.

The table below shows a five year history of the top two major revenue sources.

	TOP TWO MAJOR REVENUE SOURCES				
	2013 Actual	2014 Actual	2015 Adopted	2015 Estimated	2016 Adopted
General Property Taxes	\$458,507	\$474,148	\$480,216	\$480,216	\$480,216
Town of Grafton Contribution	\$133,480	\$129,504	\$129,310	\$129,310	\$130,765

The primary sources of Library Fund revenue are Property Tax Levy and the Town of Grafton Contribution at 71 percent and 19 percent respectively. The funding level split of the Village and Town is based on the percentage of cardholders. Currently the Village of Grafton percent of cardholders is 82 percent, up slightly from last year. Over the past 10 years, the Village’s percentage has ranged from 78 – 82 percent. An

annual data analysis determines the annual percentage applied to the Village and Town reflect current library users.

Parks and Open Space Fund

The top two major revenue source are Donations and General Property Taxes. This category comprises 99 percent of the Fund's revenue sources.

The table below shows a four year history of the top revenue sources.

TOP TWO MAJOR REVENUE SOURCES					
	2013 Actual	2014 Actual	2015 Adopted	2015 Estimated	2016 Adopted
Donations	\$17,518	\$0	\$0	\$50,000	\$50,000
General Property Taxes	\$30,044	\$30,000	\$30,000	\$35,000	\$35,000

Donations to this fund are identified as \$50,000 by the Grafton Lion's Club to remodel the shelter at Veterans Memorial Park. The donation amounts received in 2013 were from the Zaun Memorial Foundation fulfilling their commitment for the construction of Robert P. Zaun Pavilion located in Lime Kiln Park.

Starting in 1999, the Parks and Open Space Fund receive General Property Taxes as part of an ongoing effort to fund park renovations that are not eligible for impact fees in the Park and Recreational Facilities Fund. Since 2006, General Property Taxes have ranged from \$20,000 to \$35,000. The funding level is consistent with the cost of the projects as identified in the 5 Year Capital Improvement Program.

Revolving Loan Fund

The top two major revenue sources are Interest Income – Loan Recipient and Interest Income - Investment. These categories comprise 100 percent of the Fund's revenue sources. As the Village continues to market the loan program and make new loans, the interest received from loan recipients has become the top revenue source for this fund.

The table below shows the four year history of the top two major revenue sources.

TOP TWO MAJOR REVENUE SOURCES					
	2013 Actual	2014 Actual	2015 Adopted	2015 Estimated	2016 Adopted
Interest Income – Loan Receipt	\$3,192	\$3,766	\$1,726	\$1,533	\$1,335
Interest Income – Investment Income	\$1,044	\$1,000	\$1,000	\$1,000	\$1,100

Park and Recreational Facilities Fund

The major revenue source is Impact Fees. This category comprises 100 percent of the Fund's revenue sources. The Village has averaged over 20 new residential units annually over the last 10 years. Most of the residential units constructed were in

subdivisions where parkland was donated in lieu of payment of impact fees. In 2016, construction of 76 multifamily units are anticipated.

The table below shows a four year history of the major revenue source.

	MAJOR REVENUE SOURCE				
	2013	2014	2015	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Adopted</u>	<u>Estimated</u>	<u>Adopted</u>
Impact Fees	\$14,968	\$6,223	\$382,395	\$99,361	\$330,448

Room Tax Fund

The top revenue source is Room Tax. This category comprises 100 percent of the Fund's revenue sources.

The table below shows a four year history of the top revenue source.

	MAJOR REVENUE SOURCE				
	2013	2014	2015	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Adopted</u>	<u>Estimated</u>	<u>Adopted</u>
Room Tax	\$221,488	\$229,871	\$205,000	\$249,068	\$240,000

Room Tax is imposed on the service of furnishing rooms or lodging to transients by hotel keepers, motel operators, and other persons furnishing accommodations that are available to the public. The room tax rate is 7 percent of revenue derived from the sale of rooms. The Room Tax has been conservatively budgeted at an amount slightly less than the 2015 Estimated Budget amount.

Woodlawn Cemetery Capital Fund

The major revenue source is cemetery lot sales. This category comprises 99 percent of the Fund's revenue sources.

The table below shows a four year history of the top major revenue source.

	TOP MAJOR REVENUE SOURCE				
	2013	2014	2015	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Adopted</u>	<u>Estimated</u>	<u>Adopted</u>
Cemetery Lot Sales	\$5,400	\$1,850	\$650	\$1,950	\$1,300

Cemetery lot sales are divided between this fund and the Woodlawn Cemetery Perpetual Care Fund (Trust Fund). The Village budgets conservatively on future lot sales. The level of Lot Sales is expected to decrease. The price of a lot was established at \$400 in 2005 with automatic \$50 increases every other year.

Environmental Fund

The major revenue source is investment income. This category comprises 100 percent of the Fund's revenue sources.

	MAJOR REVENUE SOURCE				
	2013 Actual	2014 Actual	2015 Adopted	2015 Estimated	2016 Adopted
Investment Income	\$0	\$1,261	\$500	\$1,600	\$1,200

The table on the above shows a four year history of the major revenue source. Investment income in 2015 is expected to decrease due to a decrease in the amount available to invest.

Aquatics Fund

The top four revenue sources are Village of Grafton Contribution, Swim Passes – Family Aquatic Center, Daily Fees – Family Aquatic Center and Swim Lessons – Family Aquatic Center. These four categories comprise 83 percent of the Fund’s revenue sources.

The table below shows a four year history of the top four revenue sources.

	TOP FOUR MAJOR REVENUE SOURCES				
	2013 Actual	2014 Actual	2015 Adopted	2015 Estimated	2016 Adopted
Village Contribution	\$60,668	\$66,978	\$70,940	\$60,641	\$62,450
Swim Passes	\$20,681	\$16,536	\$18,000	\$22,378	\$20,000
Daily Fees	\$16,513	\$14,342	\$15,000	\$20,000	\$18,000
Swim Lessons	\$19,232	\$16,942	\$16,000	\$17,045	\$17,000

Village Contribution is based on the amount needed to maintain a \$0 fund balance for this fund. At \$62,450, the 2016 amount is 44 percent of the Aquatics Fund revenues. The factors that impact the contribution amount are weather, attendance, swim passes, and repairs and maintenance required as the age of the pool increases.

Swim Passes (14 percent of the revenue) are seasonal passes that enable holders to attend the pool without paying a daily fee. In 2014, poor weather in June contributed to the decline in swim passes issued. The budget amount in 2016 reflects an increase but compared to prior years is budgeted conservatively.

Daily Fees (13 percent of the revenue) are fees charged to users of the pool who do not have a swim pass. In 2014, poor weather in June contributed to the decline in daily fees. In 2015, a warmer than normal temperatures during the summer months led to an increase in daily fees collected. The budget amount in 2016 is below the estimated 2015 amount but higher than 2013 and 2014 actual revenues.

Swim Lessons (12 percent of the revenue) are fees for swim lessons. This category of revenue saw its highest levels in 2013 with a reduction in 2014 due to poor weather in June, an increase in 2015 due to warmer than normal temperatures during the summer months and is budgeted conservatively in 2016.

Recreation Fund

The major revenue source is Recreation Fees. This category comprises 80 percent of the Fund's revenue.

The table below shows a four year history of the top major revenue source.

	MAJOR REVENUE SOURCE				
	2013 Actual	2014 Actual	2015 Adopted	2015 Estimated	2016 Adopted
Recreation Income	\$ 48,711	\$38,667	\$44,000	\$60,453	\$68,953

The Recreation Fund's goal is to establish user fees so adult programs are 100 percent self-supporting and youth programs are, at minimum, 70 percent self-supporting. Annually, programming costs are reviewed and fees are adjusted or programs that are expected to be non-self-supporting are eliminated. Also, programs are added based on user request if the program is projected to reach the fund's goal. During 2014 several programs were cancelled due to low enrollment. New programs and increased enrollment significantly increased revenues in 2015. The projected 2016 Recreation Fees are anticipated to increase from the 2015 level due to increased programming levels.

Fire Protection and Rescue Fund

The top three revenue sources are General Property Taxes, Rescue Squad Charges for Services and Town of Grafton Contribution. These three categories comprise 93 percent of the Fund's revenue sources.

This is a new fund in 2013 as the residents of the Village of Grafton and Town of Grafton supported, through passage of a referendum, the transition from a private volunteer fire company to a Village of Grafton department with a full-time Chief and paid on-call Firefighter and Emergency Medical Technician (EMT) employees.

The table below shows a four year history of the top three major revenue sources.

	TOP THREE MAJOR REVENUE SOURCES				
	2013 Actual	2014 Actual	2015 Adopted	2015 Estimated	2016 Adopted
General Property Taxes	\$491,157	\$334,355	\$320,913	\$320,913	\$320,913
Rescue Squad Charges for Services	\$381,145	\$360,351	\$175,000	\$323,206	\$259,000
Town of Grafton Contributions	\$146,949	\$165,428	\$228,901	\$157,783	\$226,476

The General Property Taxes in 2013 is attributable to the approved referendum to increase the General Property Taxes by \$246,052 for the creation of a Village-operated Fire Protection and Rescue Fund. The lower amount in 2014, 2015 and 2016 is due to the creation of a Fire Department Equipment Fund established to fund new and

replacement equipment to account for operations and capital equipment expenditures separately. This amount represents 37 percent of the fund's revenue. The decrease in 2015 is due to the application of fund balance increase projected in 2014 applied to the 2015 budget. The 2016 tax levy amount is funded at the same level as 2015 and will be reviewed annually subject to changes based on fund balance levels and other funds tax levy requirements.

Rescue Squad Charges for Services revenue is payment for services provided by the rescue squads. This revenue represents 30 percent of the fund's revenue. This revenue is anticipated to be slightly lower in 2016.

The Town of Grafton Contribution is the amount due from the Town for the operations of Fire Protection and Rescue Fund. This revenue source represents 26 percent of the fund's revenue. The calculation of the Town of Grafton Contribution is based on a calculation identified in the Village agreement with the Town to provide fire protection and rescue services.

DEBT SERVICE FUNDS

Debt Service Fund

The top two revenue sources are Transfers from Tax Incremental Districts (TIDs) and Property Tax Levy. These two categories comprise 81 percent of the Fund's revenue sources.

The table below shows a four year history of the top two major revenue sources.

	TOP TWO MAJOR REVENUE SOURCES				
	2013	2014	2015	2015	2016
	Actual	Actual	Adopted	Estimated	Adopted
Transfers from TIDS	\$2,520,212	\$2,489,086	\$2,704,297	\$2,637,373	\$2,781,310
General Property Taxes	\$573,884	\$523,758	\$403,906	\$403,906	\$403,906

The collective Transfer from TID No. 2, No. 3, No. 4, and No. 5 represent these TIDs' responsibilities for debt incurred to promote the business park, redevelopment of Downtown Grafton, the redevelopment of the South Commercial District, and the development of the Grafton Commons. In 2016, \$2,781,310 represents 71 percent of the Debt Service revenues. In 2013 and 2015, the Village refunded TID debt due to the low interest rate environment.

In 2015 and 2016, the Debt Service Fund will experience decreased debt service payments. The refunding of existing debt have stabilized future debt service payments and related reliance on General Property Taxes as revenue until 2019, then an increase in debt service for future years is planned.

The amount of the 2016 General Property Taxes represents \$0.37 of the \$7.08 local government equalized value tax rate. (In 2013, the General Property Taxes represented \$0.55.) In 2016, \$403,906 is 10 percent of the Debt Service revenues.

Impact Fee Fund

The top two major revenue sources are the Public Works Facility Impact Fees and Police Station Impact Fees. These two categories comprise 78 percent of the Fund's 2016 revenue sources.

The table below shows a four year history of the top two major revenue sources.

	TOP TWO MAJOR REVENUE SOURCES				
	2013	2014	2015	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Adopted</u>	<u>Estimated</u>	<u>Adopted</u>
PW Impact Fees	\$7,663	\$103,175	\$230,417	\$205,482	\$122,580
PS Impact Fees	\$5,275	\$184,781	\$203,276	\$153,383	\$119,371

The Public Works Impact Fees are derived from residential, commercial, and industrial development. A decrease in the 2016 revenue is expected based on anticipated development projects.

The Police Station Impact Fees are derived from residential, commercial, and industrial development. A decrease in the 2016 revenue is expected based on anticipated development projects.

CAPITAL IMPROVEMENT FUNDS

Capital Projects Fund

The top three revenue sources are General Property Taxes, General Obligation Debt Proceeds and DNR Grants. These categories comprise 82 percent of the Fund's revenue sources.

The table below shows a four year history of the top two major revenue sources.

	TOP TWO MAJOR REVENUE SOURCES				
	2013	2014	2015	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Adopted</u>	<u>Estimated</u>	<u>Adopted</u>
General Property Taxes	\$633,042	\$646,721	\$731,444	\$731,444	\$1,101,943
G.O. Debt Proceeds	\$1,535,000	\$0	\$0	\$0	\$400,189

General Property Taxes in 2016 are recommended to increase. This revenue represents 52 percent of the fund's revenues. The increase in General Property Taxes is related to providing funding for Tax Incremental District No. 3's annual fund deficits. The Village routinely funds all capital projects as identified in the 5 Year Capital Improvement Program with General Property Taxes.

General Obligation Debt Proceeds are borrowed funds used as a revenue source for an anticipated project. The amount borrowed in 2013 was for the south Port Washington Road reconstruction project. No borrowing was necessary for 2014 and 2015 projects. The 2016 G.O. Debt Proceeds are identified for funding of the balance of the Falls Road reconstruction project and the reconstruction of River Bend Road.

DNR Grants revenue is a one-time revenue anticipated in 2016 as part of state funding for the extension of the riverwalk into Veterans Memorial Park. This project was originally scheduled for 2015.

Equipment Fund

The top revenue source is General Property Taxes. This category comprises 92 percent of the Fund’s revenue sources.

The table below shows a four year history of the top revenue source.

	MAJOR REVENUE SOURCE				
	2013 Actual	2014 Actual	2015 Adopted	2015 Estimated	2016 Adopted
General Property Taxes	\$242,677	\$287,567	\$316,143	\$316,143	\$304,900

General Property Taxes is historically the largest revenue source of this fund. This revenue source has been steadily increasing due to scheduled equipment replacement. The Village routinely funds the purchase of equipment as identified in the 5 Year Capital Improvement Program with General Property Taxes rather than with issuance of new debt (Debt Proceeds).

Fire Department Equipment Fund

This Fund is newly created in 2014 to account for operational and capital equipment expenditures separately. As previously identified, the Village began providing Fire Protection and Rescue Services in 2013 as a result of an approved referendum of Village voters.

The top two revenue sources are Town of Grafton – Contribution and General Property Taxes. These categories comprise 96 percent of the Fund’s revenue sources.

The table below shows a four year history of the top two revenue sources.

	TOP TWO MAJOR REVENUE SOURCES				
	2013 Actual	2014 Actual	2015 Adopted	2015 Estimated	2016 Adopted
Town of Grafton	\$0	\$79,699	\$45,000	\$170,832	\$395,800
General Property Taxes	\$0	\$150,092	\$156,092	\$156,092	\$156,092
Applied Fund Balance	\$0	(\$39,093)	(\$86,592)	\$268,237	\$435,108

The Town of Grafton – Contribution is currently identified based on an agreement between the Village and the Town that the Town funds 40 percent of the actual costs of purchased equipment. The increase is based on the annual equipment purchases in 2016 as identified by a 10 year replacement schedule.

Applied fund balance is being used in 2016 due to the larger than normal expenditure amounts in this fund. The Village annually allocates General Property Taxes to this fund at a level based on the 10 year equipment replacement schedule, not based upon

the specific annual equipment replacement costs. This is to eliminate large increases and decreases in tax levy funding due to the equipment needs of the department. The result of this funding is that in some years fund balance is increased and others a large amount of fund balance is utilized. The lowest amount of fund balance projected over the next 10 years is the 2016 budgeted amount of \$710,085.

TID No. 2 – Grafton Business Park Fund

The top revenue source is TIF Increments. This category comprises 92 percent of the Fund revenue sources.

The table on the following page shows a four year history of the top revenue source.

	MAJOR REVENUE SOURCE				
	2013	2014	2015	2015	2016
	Actual	Actual	Adopted	Estimated	Adopted
TIF Increments	\$224,099	\$230,553	\$427,523	\$383,181	\$354,923

TIF Increments are property taxes paid by the property owners on the valuation of their development and value above the 1996 base year. The TIF Increments is also impacted by the tax rate of the five governmental bodies, which is expected to be slightly higher than last year. For 2016 and the future, additional TIF Increments are expected due to the recent construction of a commercial building and the large expansion to an existing manufacturing facility.

TID No. 3 – Downtown Redevelopment Fund

The top three revenue sources are G.O. Debt Proceeds, TIF Increments and Advance from Capital Projects Fund. These three categories comprise 85 percent of the Fund’s revenue sources.

The table below shows a four year history of the top three major revenue sources.

	TOP THREE MAJOR REVENUE SOURCES				
	2013	2014	2015	2015	2016
	Actual	Actual	Adopted	Estimated	Adopted
GO Debt Proceeds	\$805,000	\$0	\$2,326,000	\$1,243,890	\$1,130,690
TIF Increments	\$595,040	\$597,158	\$609,761	\$550,131	\$655,073
Advance from Cap Project Fund	\$150,000	\$142,941	\$0	\$0	\$364,893

GO (General Obligation) Debt Proceeds in 2013 included funding for the repair of the Bridge Street dam. Proceeds in 2015 included funding of property purchases, developer incentive and costs related to phase one of the Lumberyard site development. It is anticipated that additional debt (GO Proceeds) will be issued in 2016 for the construction of a stormwater relay, and developer incentive for phase one of the Lumberyard site development.

TIF Increments are property taxes paid by the property owners on the valuation of their development and value above the 1998 base year. The amount of TIF Increments has

remained static due to no new construction projects. Based upon development interest and proposed construction timetable, a significant increase in TIF Increments is expected to occur beginning in 2017.

Advance from Capital Projects fund are transfers from the Capital Projects Fund to assist the TID in making its financial obligations for debt service. These amounts are anticipated to be reimbursed to the Capital Projects Fund prior to the closing of the TID. Cash flow pro formas have been developed indicating at the TID's closure funds will be available to repay the advance.

TID No. 4 – South Commercial District Fund

The top two major revenue sources are TIF Increments and Advance from TID No. 5. These two categories comprise 98 percent of the Fund's revenue sources.

The table below shows a four year history of the top two major revenue sources.

	TOP TWO MAJOR REVENUE SOURCES				
	2013	2014	2015	2015	2016
	Actual	Actual	Adopted	Estimated	Adopted
TIF Increments	\$220,055	\$209,042	\$208,227	\$178,842	\$465,210
Advance from TID No. 5	\$46,036	\$16,727	\$26,395	\$0	\$388,969

TIF Increments are property taxes paid by the property owners on the valuation of their development and value above the 2004 base year. The amount of TIF Increments has been steadily increasing as a result of additional development and redevelopment projects. The 2015 TIF Increments decreased slightly due to a decrease in property value (due to Village-wide re-valuation). The TIF Increments for 2016 and the future are expected to increase due to commencement of private redevelopment projects.

Advance from TID No. 5 represents a donation which was authorized by the Joint Review Board. Funds are donated as necessary when funds are available to help TID No. 4 meet its financial obligations, primarily debt service requirements.

TID No. 5 – Grafton Commons Fund

The top revenue source is TIF Increments. This category comprises 99 percent of the Fund's revenue sources.

The table below shows a four year history of the top revenue source.

	MAJOR REVENUE SOURCE				
	2013	2014	2015	2015	2016
	Actual	Actual	Adopted	Estimated	Adopted
TIF Increments	\$813,739	\$825,155	\$872,241	\$787,394	\$986,439

TIF Increments are property taxes paid by the property owners on the valuation of their development and value above the 2006 base year. Over the years, the amount of TIF Increments has been increasing as new commercial development has been occurring

within the TID. It is anticipated that these revenues will increase in 2016 due to the State of Wisconsin Department of Revenue's positive adjustment in property valuation. Anticipated development of the last remaining vacant parcel in 2015 will result in an increase in TIF Increments in 2017.

FIDUCIARY FUND

Woodlawn Perpetual Care Fund

The major revenue source is cemetery lot sales. This category comprises 87 percent of the Fund's revenue sources.

The table below shows a four year history of the major revenue source.

	TOP MAJOR REVENUE SOURCE				
	2013 Actual	2014 Actual	2015 Adopted	2015 Estimated	2016 Adopted
Cemetery Lot Sales	\$4,200	\$1,200	\$650	\$1,950	\$1,300

Cemetery lot sales are divided between this fund and the Woodlawn Cemetery Special Revenue Fund. The Village budgets conservatively on future lot sales. The future level of Lot Sales is not expected to increase significantly. The price of a lot was established at \$400 in 2005 with automatic \$50 increases every other year.

PROPRIETARY FUNDS

Water Utility

The top four major revenue sources are Sales – Residential, Capital Contributions, Public Fire Protection, and Sales – Commercial. These four categories comprise 77 percent of the Fund's revenue sources.

The table below shows a four year history of the top four major revenue sources.

	TOP FOUR MAJOR REVENUE SOURCES				
	2013 Actual	2014 Actual	2015 Adopted	2015 Estimated	2016 Adopted
Sales – Residential	\$835,839	\$857,115	\$849,132	\$869,266	\$863,269
Capital Contribution	\$195,163	\$26,047	\$271,229	\$271,230	\$372,000
Public Fire Protection	\$210,000	\$210,000	\$210,000	\$210,000	\$210,000
Sales – Commercial	\$244,835	\$198,113	\$178,861	\$184,868	\$191,767

Sales – Residential is revenue derived from user fees of residential properties (41 percent of revenues). The 2016 revenues have decreased slightly from 2015 Estimated due to the lack of new residential development/customers and the decrease in water usage as more water-efficient appliances and bathroom fixtures are installed. The increase in 2014 is due to a rate increase of 9 percent, effective April 1, 2014.

Capital Contribution is the value of fixed assets (water mains and services) constructed by a developer and accepted by the Village Board as part of the water system to be maintained by the Village. This revenue source represents 18 percent of the revenues for this fund. This value is generally unbudgeted except when the amount of the capital contribution is known or a development is known to be completed with the engineering finalized in that year. In 2015, the Village Board will be accepting the Capital Contribution from the Meijer’s development. In 2016, the Village Board will be accepting capital contributions from the Lumberyard site development and the Village Pointe Commons development.

Public Fire Protection is the annual charge to the Village for access and use of the Utility’s hydrants (10 percent of revenues). The Utility is required by the Wisconsin Public Service Commission to impose this charge. In 2003, the Village Board approved a cap to Public Fire Protection charge at \$210,000.

Sales – Commercial is revenue derived from user fees of commercial properties (8 percent of revenues). The main reason for the decrease since 2015 is the Wisconsin Public Service Commission mandating that multi-family apartments be its own revenue category (removed from Commercial revenues). Also, this revenue was budgeted to decrease in 2014 due to a major customer having leaks in their facility that has been corrected. Revenue decreased in 2015 but is anticipated to increase slightly in 2016 with the opening of new commercial development in fall 2016.

Wastewater Utility

The top two major revenue sources are Sales – Residential and Sales – Commercial. These two categories comprise 82 percent of the Fund’s revenue sources.

The table below shows a four year history of the two major revenue sources.

	TOP TWO MAJOR REVENUE SOURCES				
	2013	2014	2015	2015	2016
	Actual	Actual	Adopted	Estimated	Adopted
Sales - Residential	\$1,347,900	\$1,369,629	\$1,348,774	\$1,392,386	\$1,382,216
Sales – Commercial	\$462,547	\$481,588	\$485,555	\$475,010	\$500,300

Sales – Residential is derived from user fees of residential properties (60 percent of revenues). The increase in 2015 is due to the elimination of the summer/ sprinkling sewer credit. A minor decrease in 2016 is expected as some customers will adjust their usage as a result of the elimination of the summer/sprinkling sewer credit.

Sales – Commercial is revenue derived from user fees of commercial properties (22 percent of revenues). This revenue is expected to increase in 2016 due to new commercial businesses and businesses operating in previously empty buildings.