



"...meeting community needs...enhancing quality of life."

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Members of the Common Council and Community
City of Appleton
Appleton, Wisconsin

Dear Fellow Appletonians,

Enclosed is the 2024 Executive Budget and Service Plan, which is the result of the efforts of the City's leadership team, budget managers, and especially on the part of Finance Director Jeri Ohman, Deputy Finance Director Katie Demeny, Budget and Accounting Manager Christine Delveaux, Enterprise Accounting Manager Kelli Rindt, and Finance Associate Johanna Kopecky. I am grateful for the hard work of this team in preparing this year's Budget, and for the work of the employees of the City of Appleton for executing our Budget each year.

Events in Fiscal Year 2023, and those in the preceding years, come to bear in the enclosed budget and service plan. While there were significant positive developments over the course of the year – securing nearly \$2M in new shared revenue from the State and achieving the best year of Net New Construction in recent memory – this Budget is more a story of overcoming challenges.

The effects of extreme inflation are coursing through the City's Budget, even as real-time consumer price index (CPI) numbers appear to be abating. It is worth noting that the August CPI rate of 3.7 percent, while lower than last year's 8 percent, still far outpaces our allowable levy increase and comes in addition to previous inflation still working its way into our Budget. Examples of the extraordinary increases in costs from software to fire apparatus to sanitary sewer pipe abound. Personnel expenses also continue to rise significantly as we fight to maintain our competitive position as an employer and provide quality benefits to our workforce. The cost of health insurance alone is projected to increase 18% in the coming year.

Facing a situation where the rate of increases in expenses was likely to exceed our available resources without adjustments, despite relatively stable FTE counts and programs, we established objectives for the process. Our priorities with this Budget were to: maintain the level of service residents depend on; retain and appropriately compensate our quality workforce; accelerate our replacement of aging infrastructure; and minimize impact to property taxpayers.

Through this process, department heads considered opportunities for cost reductions, evaluated various fees for service against those of comparable Wisconsin municipalities and the cost of delivering those services, and assessed funding models for City activities to ensure we are using the appropriate sources for the work being done. We also considered compensation and benefits holistically and in accordance with market data.

To that end, this budget includes the following significant changes:

- New Shared Revenue Supplement
 - Act 12 increased the amount of shared revenue that local governments will receive beginning in 2024. The 2024 supplemental amount for the City of Appleton is \$1,926,006 and is allocated as follows:
 - Infrastructure investment \$963,003
 - Axon contract renewal \$165,339
 - Public Safety Compensation plan increases \$797,664
- Stormwater Utility
 - 94% of the Forestry Division moves into the Stormwater Utility, saving approximately \$1.2 million General Fund operating dollars
 - Accelerate Emerald Ash Borer Remediation (at least double pace of removal and replacement) with \$375,000 additional funding
 - A portion of Bridge Maintenance moves into Stormwater Utility, saving approximately \$272,000 in General Fund operating dollars
 - Stormwater Utility rates will not increase as a result of these changes
- User-Generated Fees
 - Dept of Public Works, Community and Economic Development Dept, Police Dept, Fire Dept, Public Health Dept, and Parks, Recreation, and Facilities Management Dept have conducted reviews that will represent a total of over \$275,000 in cost recovery
- Utility Administration
 - Recommending bringing the administrative cost sharing between Water and Wastewater Utilities into parity, representing \$150,000 in additional revenue
 - Reallocating \$76,000 of excess revenue from the Water Utility into the General Fund
- Compensation and Benefits
 - 3 percent merit-based increase for eligible non-represented employees
 - Addition of new programs to reduce the cost of certain surgical procedures and prescription drugs, which has the potential to save the insurance plan over \$400,000
 - Addition of an employee premium share, which, for employees on the current zero-premium plan will represent a cost share amount of approximately \$44 per paycheck, covering approximately \$700,000, or 40 percent of the total increase in insurance costs
- Other Reductions
 - Eliminated funding of a position that has been vacant for two years in Facilities Management to save approximately \$24,000
 - Eliminated printing of the spring Parks & Recreation Guide, which will be replaced with a less expensive mailing to save \$35,000

- Eliminated a duplication of a service provided by the City that was, admittedly, inferior to the service being provided by Outagamie County – a garbage dumpster at the Glendale Yard Waste Site – saving \$8,000

As a result of this careful work, we are able to bring forward a Budget that does not cut any positions from the Table of Organization, does not eliminate any services currently being uniquely offered by the City for our residents, and that accelerates our rate of infrastructure replacement. Furthermore, this Budget represents the first where our debt management plan is fully implemented, resulting in an overall estimated tax increase of approximately 2.6% - significantly less than the rate of inflation.

Appleton remains in a strong fiscal position and one of the most competitive local government employers in the region. As a result, our taxpayers benefit from continuity of municipal operations and quality of service delivered by our quality workforce.

GENERAL OBLIGATION DEBT MANAGEMENT

The 2024 Executive Budget and Service Plan represents the full implementation of a general obligation (G.O.) debt management strategy for the City set in motion in 2021. Working with our financial advisors and with the leadership team, we have developed a strategy that has stabilized, and will ultimately reduce, annual G.O. debt service payments. Continued results of this plan, including improvements in the trend over time, can be observed on the chart on page 595.

General obligation debt was once leveraged primarily for special or sizable municipal projects, such as bridge replacements, major arterial road reconstructions, facility projects like new buildings and renovations, and certain park and trail improvements. Over time, the constraints of Wisconsin's levy limits, rising costs, and residents' rejection of special assessments for road, sidewalk, and infrastructure maintenance had pushed the City to borrow for these projects rather than to pay for them up-front, as was the practice in the past.

While the elimination of special assessments is generally regarded as a positive change for residents, the funding that program once provided for roads, sidewalks, and infrastructure has not been replaced. Instead, a regressive Citywide wheel tax was imposed and collects a fraction of the total needed to appropriately maintain our City. As a result, beginning in 2016, new G.O. debt issues increased significantly as the cost of infrastructure maintenance was layered on top of the projects traditionally funded through G.O. debt.

Our debt management strategy recognizes the need to continue to leverage G.O. debt for infrastructure projects such as those included in this Budget. However, this moves us away from the practice of utilizing G.O. debt funding for higher-cost regular maintenance activities that came to represent over half of the City's borrowing in recent years. Exploration of maintenance funding options such as a Transportation Utility, as initiated by the Common Council in fall 2021, though currently on hold as of publishing the 2024 Executive Budget and Service Plan, are reflective of the need to find fiscally responsible and sustainable ways to keep up our infrastructure.

DEBT SERVICE

G.O. debt service costs are stabilizing following their upward trend due to past borrowing, as discussed previously. Considerable effort has been made to reduce future borrowing needs including developing a ten-year debt management plan. Difficult choices were made in the development of this plan as future debt service limitations were set and projects were evaluated, prioritized, and spread out over this longer time horizon to fit within the annual limitations.

For the 2024 Budget, total G.O. debt service costs are scheduled to be \$15,961,563, an increase of \$1,268,210 over the 2023 budgeted payments of \$14,693,353. The property tax levy necessary to support this increase rose \$100,199 (0.7%) from \$13,437,688 in the 2023 Budget to \$13,537,887 in 2024.

Total G.O. debt outstanding on December 31, 2023 is projected to be \$94,733,375 compared to \$86,597,125 outstanding on December 31, 2022, an increase of \$8,136,250. However, despite the increase in outstanding debt, the City is well below its legal debt limit of \$432,040,260 as well as the City's guideline of 40% of this amount of \$172,816,104.

For 2024, \$13,891,662 in G.O. bonds and notes are expected to be issued to fund various capital projects in the areas of infrastructure (\$9,374,762), facility construction and improvements (\$2,406,000), equipment (\$305,900), and parks and trails (\$1,805,000). Of the amount borrowed, \$5,070,443 will be paid back with funds from the City's TIF District 13 while the remainder will be supported by general property taxes. A complete list of anticipated debt-financed projects for 2024 can be found in the "Five Year Plan" section of this Budget.

COMMUNITY AND ECONOMIC DEVELOPMENT

In support of the updated Comprehensive Plan 2010-2030 and the Economic Development Strategic Plan's primary goals and key strategies, the Community and Economic Development Department's 2024 Budget contains funding to support local and regional community economic development activities. The Budget also provides funding for the continued management of the Southpoint Commerce and the Northeast Business Parks, and the Department continues to be a source of information and support to businesses, not-for-profit organizations, and the community.

Tax Incremental Financing District 13 (TIF 13) was created in 2023 to provide infrastructure investments in the Southpoint Commerce Park. The district provides for a 15-year expenditure period to make investments to support the goals for the district, including promotion of industry, industrial sites, attraction of new businesses, and increasing property values. The maximum life of the district is 20 years.

Finally, in the City's role as lead fiscal and administrative agent, in collaboration with our local non-profit partners, this Budget continues to promote the application for, and allocation of, State and federal grant funding to benefit low- to moderate-income (LMI) persons in need of housing rehabilitation, emergency shelter, transitional housing, and homeless prevention and diversion services.

FISCAL

The following section provides an overview of Budget activity across the major sections of the Budget:

- General fund revenues and expenditures both totaled \$70,996,744 in the 2024 Budget, an increase of \$2,050,205 or 2.97%. The revenue increase is attributable mainly to the allowable increase in the property tax levy along with supplemental shared revenue provided under Act 12.
- The general fund tax levy increased \$1,306,280, or 3.45%, to \$39,131,000 in the 2024 Budget. At the same time, the tax levy for debt service increased \$100,199, or 0.7%, to \$13,537,887. Overall, the tax levy for the City is expected to increase \$1,406,479, or 2.64% in 2024. This increase is within State-imposed levy limits.
- Tax Rates – The City’s equalized value increased 9.21% to \$8,203,178,000 in 2023. The City’s estimated assessed values are projected to grow 39.17% with the revaluation that was completed during the year. Applying the 2023 total estimated assessed value (excluding TIDs) of \$7,835,670,642 to the tax levy results in the following projected assessed tax rates:
 - Outagamie County – \$7.00, a decrease of \$2.49, or 26.21%
 - Calumet County – \$6.85, a decrease of \$2.61, or 27.58%
 - Winnebago County – \$7.16, a decrease of \$2.08, or 22.53%

On an equalized value basis, the tax rate is projected to be \$6.66, a decrease of 86 cents, or 11.44%.

Contingency Funds

- All unused contingency funds in the General Administration section of the Budget are again anticipated to be carried over from 2023 to 2024. Estimated balances in the contingency funds available for carryover at the conclusion of 2023 include:

○ State Aid Contingency	\$812,267
○ Fuel Contingency	\$137,315
○ Operating Contingency	\$402,298
○ Wage Reserve	\$1,061,949
- Included in the General Administration section of the 2024 Budget is the addition of \$715,269 to the wage reserve for wage increases for City staff not covered by collective bargaining agreements.

Utilities

- Water – The Budget includes \$80,000 for instrumentation replacements and \$850,000 for HVAC upgrades at the treatment facility. The Budget also includes \$115,000 for SCADA upgrades and \$175,000 for phone and wireless upgrades. This project will be combined with a similar project at the Wastewater Plant for economies of scale. The Meter Operations Budget includes \$88,000 for the purchase of new meters which will be used for residential and multi-family development as well as on-going replacements. The Distribution Operations Budget includes \$60,000 for the purchase of leak detection equipment. Water Utility infrastructure improvements planned for 2024 include \$3,100,000 for the replacement of aging distribution and transmission mains. Additionally, this Budget reflects the transfer of excess revenue from the lease of the generator located at the Water Treatment Facility to the General Fund. There are no planned water rate increases for 2024.
- Wastewater – The Budget includes \$1,000,000 to rebuild four primary clarifiers and \$600,000 for aeration and channel blower upgrades to continue to address aging treatment equipment. The Budget also includes \$4,240,000 for multiple building and grounds improvement and replacement projects at the treatment facility. Also included is \$1,400,000 to complete phone, wireless and SCADA upgrades at the treatment facility. This project will be combined with a similar project at the Water Treatment Facility for economies of scale. Finally, included in the Budget is \$1,600,000 for the replacement of aging mains and \$1,600,000 for lift station replacements and upgrades of the wastewater collection system. The 2024 Budget includes a rate increase of 7% for general service and the hauled waste program. The rate increase is necessary for continuing support of needed capital projects and increased operational costs. The effect of the rate increase on the average residential customer’s quarterly City service invoice is projected to be \$4.
- Stormwater – The Budget includes the transfer of 94% of the Urban Forestry program from the General Fund and \$375,000 is included in this program for contractor fees to assist with the removal of ash trees. In addition, maintenance costs related to bridge structures that span water crossings, have been transferred from the General Fund. Continuing the implementation of the City’s Stormwater Management Plan, this Budget dedicates \$4,500,000 to ongoing infrastructure improvements and \$350,000 for land acquisition for sediment disposal needs to support best management practices. The Budget also includes a \$495,000 transfer to CEA for additional leaf collection equipment upgrades to facilitate the new leaf collection process that began in the fall of 2022. There are no planned stormwater rate increases for 2024.

Personnel

Included in the 2024 Executive Budget are the following personnel additions:

- Parks and Recreation Department – The increase of a .50 FTE to .67 FTE for the Marketing and Community Engagement Coordinator to attract patrons, maintain

participation in programs and events, and raise awareness about the recreational opportunities available.

- Community and Economic Development – The elimination of a 0.7 FTE Real Estate Assessment Technician position and a 1.0 FTE Personal Property Assessment Technician. The addition of a 1.0 FTE Real Estate Property Lister position will absorb real property listing duties and remaining residential appraisal work after the statewide elimination of personal property assessments. The addition of a 1.0 FTE Code Compliance Inspector position to focus on code compliance, minor permitting, and zoning/general code inspections.
- Utilities Department – The addition of a Safety Coordinator position to support safety programs and Wisconsin Administrative Code safety requirements at both treatment facilities. Also, the addition of a Treatment Specialist position to support the optimization of the treatment process and provide an enhanced maintenance program to the Utilities Department. Both positions will be shared between the Water and Wastewater Utility and funded as .8 FTE to Wastewater and .2 FTE to Water.
- Reid Golf Course – The increase of a .80 FTE to 1.0 FTE for the Clubhouse Supervisor. The increase will allow this position to continue working throughout the year and assist in workload related to year-end reporting and preparing for the new season.

Other changes approved by Council during 2023 included:

- The increase of a Public Health Nurse position in Public Health from 0.9 FTE to 1.0 FTE.
- The elimination of an Administrative Support Specialist and addition of 1.0 FTE Police Community Engagement Specialist in the Police Department.
- The addition of the Community Health Supervisor (1.0 FTE) in Health Grants.

CAPITAL IMPROVEMENT PROGRAM

Highlights of the 2024 Capital Improvement Projects (CIP) not discussed prior are as follows:

- Maintaining and improving public infrastructure remains a top priority of the City as this Budget invests over \$9,300,000 in road, bridge, and sidewalk improvement projects. Additionally, approximately \$12,475,000 is planned to be invested in water distribution, sewer collection, and stormwater management infrastructure improvements.
- To ensure the condition, safety, and longevity of City facilities and properties, the 2024 Budget includes investments in the following areas: \$3,565,000 for HVAC upgrades at Fire Station #1 and the Water and Wastewater Treatment Plants; \$1,125,000 for roof replacements of various park pavilions and the Wastewater Treatment Plant; and

\$700,000 for trails and roads in Highview and Peabody Parks and roads at the Wastewater Treatment Plant.

- Quality of life improvements in the 2024 Budget focus on maintaining our parks and expanding our trail systems. This Budget includes \$900,000 to redevelop the riverwalk trail and shoreline in Lutz Park, \$350,000 for maintenance of Mead Pool, and \$290,000 for pavilion renovations and fountain restorations.
- Public Safety improvements include \$162,000 for firing range upgrades and \$110,000 for the Officer Safety program.

CONCLUSION

The 2024 Executive Budget and Service Plan reflects our continued commitment to providing excellent services and a well-maintained community for the people of Appleton. It also continues the practice of challenging, but essential, prioritization of projects and initiatives in the interest of the long-term financial sustainability of our community. By working together, we can ensure a careful use of resources aligned with the high expectations we have for our community.

Sincerely,



Jacob A. Woodford, Mayor