



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

OFFICE OF THE MAYOR

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

Dear Fellow Appletonians,

Enclosed is the 2022 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 Tony Saucerman, Deputy Finance Director Jeri Ohman, Budget Analyst Katie Demeny, Enterprise Accounting Manager Kelli Rindt, and Purchasing Manager Jeff Fait. 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.

The COVID-19 pandemic has remained a significant factor in many aspects of City operations, and it looks to continue into 2022. Over the first two quarters of 2021, we have worked to safely restore most of our regular operations and practices. We initiated a measured, phased return to regular workspaces in March 2021 and completed that operation in June. Our Health Department and Human Resources Department have worked together closely to monitor employee cases, and we have continued to provide access to vaccines and emergency leave to all employees to maintain a safe, effective, and healthy workforce.

An influx of pandemic-related financial assistance from the federal and state governments has buoyed municipal finances and ensured our ability to provide ongoing response to our residents. The CARES Act, numerous public health grants, and more recently the American Rescue Plan Act (ARPA) funds have kept the City of Appleton's financial position stable despite our providing additional services like contact investigation, inoculation, and mitigation, all while placing additional burden on us to carefully steward more taxpayer dollars than in previous years. This budget will describe recommendations to manage the ARPA funds over the coming years. These funds should be considered standalone grants rather than as additions to the operating budget, which remains constrained.

Inflationary trends in the broader economy are affecting the City of Appleton as they are all businesses, organizations, and households in our community. Rising costs for supplies, equipment, and labor are presenting prominent headwinds to the City's budget, particularly in

light of annual levy increases that are restricted (1.25% in 2022), which prevents the City from keeping pace with the rate of inflation (CPI increased 5.3% in the fiscal year ending August 2021). This means putting forward a balanced budget presents difficulties and requires reductions or deferrals to ongoing expenses. In a year-over-year sense, these reductions or deferrals have a minimal impact on residents' quality of life, but over time they have, and will continue to, erode the City's ability to deliver services and maintain our infrastructure.

City employees have, time and again, demonstrated their commitment to service over the past year, and we continue our efforts to be an employer of choice to retain and recruit the best for our community. To that end, we are proposing a 2.5% merit-based wage increase pool for non-represented employees to remain competitive in the marketplace. Additionally, through efforts like HealthSmart, our Connecting Care Clinic, and smart healthcare decisions by our employees, we were able to maintain flat health insurance premium costs for 2022. This is a real accomplishment for a self-funded healthcare plan like ours.

We enjoy the quality of life we do today because of our shared commitment to investing in our community and taking pride in our services, infrastructure, and facilities. The 2022 Executive Budget and Service Plan represents a continuation of the work of the City of Appleton to carefully steward our community's resources, and wherever possible, to enhance the quality of life our community provides.

GENERAL OBLIGATION DEBT MANAGEMENT

The 2022 Executive Budget and Service Plan continues 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 aims to stabilize and ultimately reduce annual G.O. debt service payments. The early positive results of this work are evident and will be immediately felt by taxpayers, and improvements in the trend over time can be observed on the chart on page 587.

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 have pushed the City to borrow for these projects rather than to pay for them up-front as had been 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 City-wide 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 maintenance projects such as those included in this budget. However, it begins to move us away from the practice of utilizing G.O. debt funding for higher-cost regular maintenance activity that came to represent over half of the City's borrowing in recent years.

Efforts to explore maintenance funding options such as a Transportation Utility, as initiated by the Common Council in fall 2021 are reflective of the need to find fiscally responsible and sustainable ways to keep up our roads and bridges.

Careful stewardship of our municipal debt will serve residents well in the short term, and especially in the long run. The time to take up that stewardship is now – while our City remains in a healthy financial position with excellent bond ratings and with a competitive overall tax rate.

DEBT SERVICE

While G.O. debt service costs continue their upward trend due to past borrowing, as discussed previously, in order to reverse this trend, considerable effort has been made in this budget 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 in order to fit within the annual limitations. Looking out over a longer time frame allowed projects to be scheduled beyond five years giving departments confidence that projects would be undertaken without the urgency to have them included in the five-year plan.

For the 2022 Budget, total G.O. debt service costs are scheduled to be \$12,139,682, an increase of \$1,093,163 over the 2021 budgeted payments of \$11,046,519. The property tax levy necessary to support this increase rose \$1,022,417 (10.4%) from \$9,851,874 in the 2021 Budget to \$10,874,291 in 2022.

Total G.O. debt outstanding on December 31, 2021 is projected to be \$80,946,625 compared to \$75,221,000 outstanding on December 31, 2020, an increase of \$5,725,625. However, despite the increase in outstanding debt, the City is well below its legal debt limit of \$334,418,040 as well as the City's guideline of 40% of this amount of \$133,767,216.

For 2022, \$14,482,131 in G.O. bonds and notes are expected to be issued to fund various capital projects in the areas of infrastructure (\$6,298,181), facility construction and improvements (\$7,035,000), equipment (\$260,000), and parks and trails (\$590,000). Of the amount borrowed, \$994,375 will be paid back with funds from the City's TIF District 11 while the remainder will be supported by general property taxes. A complete list of anticipated debt-financed projects for 2022 can be found in the "Five Year Plan" section of this Budget.

CONTINGENCY FUNDS

- All unused contingency funds in the General Administration section of the Budget are again anticipated to be carried over from 2021 to 2022. Estimated balances in the contingency funds available for carryover at the conclusion of 2021 include:
 - State Aid Contingency \$812,267
 - Operating Contingency \$402,298

- Fuel Contingency \$137,315
 - Wage Reserve \$950,057
- Included in the General Administration section of the 2022 Budget is the addition of \$300,000 to the wage reserve for wage increases for City staff not covered by collective bargaining agreements.

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 2022 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 Districts 11 and 12 (TIF 11 and TIF 12), which are located on the east and west ends of the downtown, are the City’s newest districts and have generated several development projects to date. The 2022 Budget provides continued funding for the successful Business Enhancement Grants program for businesses within these districts. The grants are intended to encourage rehabilitation of properties, eliminate blight, increase property values, and improve the overall appearance of the areas. In support of these goals, \$42,000 has been included in both TIF 11 and TIF 12 Budgets for this grant program.

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

- General fund revenues and expenditures both totaled \$66,208,455 in the 2022 Budget, an increase of \$876,058 or 1.34%. The revenue increase is attributable mainly to the allowable increase in the property tax levy along with an increase in projected county sales tax and modest increases in State revenues.
- The general fund tax levy increased \$480,000, or 1.31%, to \$37,080,000 in the 2022 Budget. At the same time, the tax levy for debt service increased \$1,022,417, or 10.4%, to \$10,874,291. Overall, the tax levy for the City is expected to increase \$1,502,327, or 3.09% in 2022. This increase is within State-imposed levy limits.
- Tax Rates – The City’s equalized value increased 7.87% to \$6,688,360,800 in 2021. The City’s estimated assessed values are projected to grow a more modest 1.35%.

Applying the 2021 total estimated assessed value (excluding TIDs) of \$5,605,186,085 to the tax levy results in the following projected assessed tax rates:

- Outagamie County – \$8.90, an increase of 13 cents, or 1.44%
- Calumet County – \$9.14, an increase of 34 cents, or 3.87%
- Winnebago County – \$8.75, a decrease of 14 cents, or 1.63%

On an equalized value basis, the tax rate is projected to be \$7.86, a decrease of 40 cents, or 4.86%.

UTILITIES

- Water – The Budget includes \$115,500 for the continuation of a corrosion control study and \$130,000 for the purchase of two new chemicals that are being reviewed for use as part of the study. The meter operations budget includes \$90,000 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 \$50,000 for the purchase of hydrant diffusers and supplies to meet Wisconsin DNR requirements for chlorine reduction during hydrant flushing. Additionally, this budget includes \$750,000 for equipment replacements at the Water Treatment Facility, \$450,000 to upgrade the Matthias Tower, and \$200,000 to replace the security gate at the lake station. Water Utility infrastructure improvements planned for 2022 include \$2,300,000 for the replacement of aging distribution and transmission mains and \$700,000 for new transmission and distribution mains on the north side of the City. There are no planned water rate increases for 2022.
- Wastewater – The 2022 Budget includes \$4,800,000 for belt filter upgrades and replacements, and \$7,200,000 for the construction of an addition to the sludge storage building. The Budget also includes \$1,700,000 for the final year of a multi-year project to upgrade the electrical distribution system at the treatment facility. Other projects at the treatment facility include \$300,000 to upgrade wireless access at the plant and \$1,350,000 for building and grounds improvements. Finally, included in the Budget is \$1,600,000 for the replacement of aging mains of the wastewater collection system and \$700,000 for new main installation on the north side of the City. In accordance with the recommendations from 2020 rate study, the 2022 Budget includes a rate increase of 4%. The rate increase is necessary due to the loss of revenues in the hauled waste and industrial waste areas along with continuing support of necessary capital projects. The effect of the rate increase on the average residential customer's quarterly City service invoice is projected to be slightly less than \$3.
- Stormwater – Continuing the implementation of the City's Stormwater Management Plan, this Budget dedicates \$2,700,000 to ongoing infrastructure improvements. The budget also includes a \$335,000 transfer to CEA for leaf vacuum equipment upgrades to facilitate a new leaf collection process to begin in 2022. There are no planned stormwater rate increases for 2022.

PERSONNEL

Included in the 2022 Executive Budget is the addition of a full-time Traffic Engineering Systems Technician position in the Department of Public works to oversee the automated traffic systems within the City and other traffic safety duties, and the upgrade of a Sergeant position to a Lieutenant position in the Police Department to increase efficiency in patrol staffing as well as provide oversight of the department's public engagement.

Other changes approved by Council during 2021 included:

- Elimination of a Ramp Attendant position (1.0 full-time equivalent (FTE)) in the Parking Utility.
- The increase in job duties for an Operator position in the Sanitation Division increasing the position from a 0.5 FTE to a 0.67 FTE.
- The increase in job duties for two Utility Locator Positions in the Public Works Department increasing the positions from 0.67 FTE to 1.0 FTE.
- The combination of two part-time positions in the Parking Utility and CEA into one full-time (1.0 FTE) position (Note: This item is scheduled to be considered by Council in a separate action in October, 2021, prior to the adoption of the 2022 Budget).

CAPITAL IMPROVEMENT PROGRAM

Highlights of the 2022 Capital Improvement Projects (CIP) not discussed prior are as follows:

- Architectural plans will be finalized and construction will begin on the much-anticipated library renovation which is expected to break ground in the summer of 2022. Included in this Budget is \$10,000,000 for the first phase of construction in 2022 with the project expected to be completed in late 2023.
- As discussed previously, maintaining and improving public infrastructure remains a top priority of the City as this Budget invests over \$7,800,000 in road, bridge, and sidewalk improvement projects. Additionally, as previously discussed, approximately \$8,000,000 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 2022 Budget includes investments in the following areas: \$8,500,000 for renovations to the Valley Transit office and garage facility. This federally funded project will include a building expansion as well as upgrades to existing HVAC, electrical and plumbing systems; \$750,000 to reconstruct parking lots at Pierce and Einstein Parks, and \$275,000 to modernize the Appleton Street elevator car and replace the elevator shafts in the Red Parking Ramp.

- Improvements to our parks, trails and recreational facilities again played an important role in the formulation of the 2022 Capital Improvement Program. Investments in these areas include: \$500,000 to construct a pickle ball complex. Funding for this project is expected to come from a private donation; \$275,000 for the design and construction of new basketball and tennis courts at Green Meadows Park; \$200,000 for renovations to both the large and small pavilions at Telulah Park, and \$100,000 for the design of Lundgaard Park. Funding for the park design services is anticipated to come from private donations.
- Investments in projects to support our information technology infrastructure include \$325,000 to fund a continuing multi-year project to replace the City's aging mainframe with an enterprise resource planning (ERP) system. This funding includes anticipated installation of the work order, inventory, fixed assets, and fleet and facilities management modules which was delayed from 2021 due to the COVID-19 pandemic.

CONCLUSION

The 2022 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 puts into practice 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 of Appleton