



"...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 2023 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 Lee Thomas, Enterprise Accounting Manager Kelli Rindt, and Data Analyst 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.

Extraordinary inflation has placed serious pressure on just about every facet of the City's budget – from equipment to energy, facilities to personnel. Though the City of Appleton reached a net-new-construction rate of 1.9 percent, which was better than the statewide average, the Consumer Price Index (CPI) increased at a rate of over 8 percent. This growing gap between the overall rate of inflation and the City's tax levy for operations continues to force the City to adjust or reduce services to our residents and to defer necessary maintenance on our infrastructure.

As an employer of over 640 full time staff and hundreds more seasonal and part time employees, the City of Appleton has also faced increasing wage pressure. Competition among municipalities, and even across sectors, has presented challenges in retaining current, and recruiting new, employees. We recently completed an organization-wide compensation and classification study, which has reinforced the need for continued emphasis on appropriately compensating our workforce. To that end, the leadership team has worked to reallocate funds internally to support a recommended 5 percent merit-based increase for non-represented employees. As a point of emphasis: this increase is being made possible primarily by reallocation of existing budget funds.

The City of Appleton continues to make significant investments in information technology, from security to public user experience. Technological advancements and an evolving software-as-a-service business model necessitate more transitions to cloud-based services. This will present both opportunities and challenges as we move forward. In part, this transition over time will

reduce the City's capital liability for servers and other IT infrastructure and improve security, however, it will also put more pressure on already constrained operating budgets.

Despite the many financial pressures beyond our control, the enclosed budget reflects the City of Appleton's continued commitment to delivering excellent services that meet the community's needs and enhance quality of life for all. The City's leadership team and employees continue to rise to the challenges before us, and this budget was no exception.

The 2023 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. With this budget, we also seek to improve Appleton's competitive position as a premier municipality not only in our region, but also statewide.

GENERAL OBLIGATION DEBT MANAGEMENT

The 2023 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. With rising interest rates, our work to stabilize municipal debt is well-timed and will serve our residents well. Effectively, our debt management plan is sunsetting a period of aggressive capital borrowing just as interest rates rebound from historic lows. Continued results of this plan, including improvements in the trend over time can be observed on the chart on page 589.

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. 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 of the 2023 Executive Budget and Service Plan, are reflective of the need to find fiscally responsible and sustainable ways to keep up our infrastructure.

DEBT SERVICE

While G.O. debt service costs continue 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. 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 2023 Budget, total G.O. debt service costs are scheduled to be \$14,693,353, an increase of \$2,553,671 over the 2022 budgeted payments of \$12,139,682. The property tax levy necessary to support this increase rose \$2,563,397 (23.6%) from \$10,874,291 in the 2022 Budget to \$13,437,688 in 2022.

Total G.O. debt outstanding on December 31, 2022 is projected to be \$86,597,125 compared to \$80,946,625 outstanding on December 31, 2021, an increase of \$5,650,500. However, despite the increase in outstanding debt, the City is well below its legal debt limit of \$375,575,820 as well as the City's guideline of 40% of this amount of \$150,230,328.

For 2023, \$19,978,529 in G.O. bonds and notes are expected to be issued to fund various capital projects in the areas of infrastructure (\$5,415,929), facility construction and improvements (\$11,822,500), equipment (\$715,100), and parks and trails (\$2,025,000). Of the amount borrowed, \$2,998,776 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 2023 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 2023 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 2023 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 TIF 11 and \$21,000 included in 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

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

- General fund revenues and expenditures both totaled \$68,946,539 in the 2023 Budget, an increase of \$2,738,084 or 4.13%. The revenue increase is attributable mainly to the allowable increase in the property tax levy along with the closing of TIF #6.
- The general fund tax levy increased \$744,720, or 2.00%, to \$37,824,720 in the 2023 Budget. At the same time, the tax levy for debt service increased \$2,563,397, or 23.6%, to \$13,437,688. Overall, the tax levy for the City is expected to increase \$3,308,117, or 6.61% in 2023. This increase is within State-imposed levy limits.
- Tax Rates – The City's equalized value increased 12.31% to \$7,511,516,400 in 2022. The City's estimated assessed values are projected to grow a more modest 0.40%. Applying the 2022 total estimated assessed value (excluding TIDs) of \$5,630,285,174 to the tax levy results in the following projected assessed tax rates:
 - Outagamie County – \$9.48, an increase of 58 cents, or 6.56%
 - Calumet County – \$9.46, an increase of 35 cents, or 3.79%
 - Winnebago County – \$9.24, an increase of 49 cents, or 5.60%

On an equalized value basis, the tax rate is projected to be \$7.52, a decrease of 34 cents, or 4.27%.

Contingency Funds

- All unused contingency funds in the General Administration section of the Budget are again anticipated to be carried over from 2022 to 2023. Estimated balances in the contingency funds available for carryover at the conclusion of 2022 include:

○ State Aid Contingency	\$812,267
○ Operating Contingency	\$402,298
○ Fuel Contingency	\$137,315
○ Wage Reserve	\$1,200,057
- Included in the General Administration section of the 2023 Budget is the addition of \$17,500 to the wage reserve for increases based on results from the compensation and classification study.

Utilities

- Water – The Budget includes \$350,000 for clearwell repairs and \$300,000 for the removal of a valve at the Lake Station to improve hydraulic performance. The meter operations budget includes \$83,000 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 \$40,000 for the on-going purchase of hydrant diffusers and supplies to meet Wisconsin DNR requirements for chlorine reduction during hydrant flushing. Additionally, this budget includes \$1,150,00 for equipment updates at the Water Treatment Facility that were identified during the Corrosion Control study, \$450,000 to upgrade chemical storage, and \$725,000 to replace the parking lot at the Treatment Facility. Water Utility infrastructure improvements planned for 2023 include \$2,300,000 for the replacement of aging distribution and transmission mains. There are no planned water rate increases for 2023.
- Wastewater – The 2022 Budget includes an additional \$4,900,000 for belt filter upgrades and replacements project that was part of the 2022 budget, and \$4,200,000 for Blended Sludge Piping and HEX replacement. The Budget also includes \$1,875,000 for multiple building and grounds improvement and replacement projects at the treatment facility. Finally, included in the Budget is \$1,600,000 for the replacement of aging mains of the wastewater collection system. In accordance with the recommendations from the 2020 rate study, the 2023 Budget includes a rate increase of 4% for general service and 5% for the special hauled waste program. The rate increase is necessary for continuing support of needed 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 \$3,600,000 to ongoing infrastructure improvements and \$1,500,000 for pond construction and other land needs to support best management practices. The budget also includes a \$375,000 transfer to CEA for leaf vacuum equipment upgrades to facilitate a new leaf collection process that will begin in the fall of 2022. There are no planned stormwater rate increases for 2023.

Personnel

Included in the 2023 Executive Budget are the following personnel additions:

- Finance Department – A full-time Finance Associate position to support the continuation of data analysis and additional grant application support for all departments.
- Information Technology – The elimination of a Software Engineer position and the addition of a Deputy Director position to adjust to changing work processes within the department.

- Fire Department – The elimination of a Resource Development Specialist position and the addition of a Battalion Chief – EMS position to focus on developing and updating policies and programs for the benefit of the community.
- Health Department – The addition of an Environmentalist position to meet statutory, contractual, and Municipal Code requirements. This position will be funded with DHS ARPA grant funds in the first year, with subsequent years funded by additional revenue in the Environmental Health program.
- Police Department – The elimination of a Police Communications position and the addition of a Traffic Safety Officer to continue the pilot program on a permanent basis.

Other changes approved by Council during 2022 included:

- The increase of the Purchasing Clerk positions in the Department of Public Works from 1.5 FTE to 2.0 FTE.
- The addition of 1.0 FTE position at Valley Transit for a Safety and Compliance Specialist.
- The change of the Civilian Fire Protection Engineer (1.0 FTE) to a Public Education Specialist/Civilian Fire Inspector (1.0 FTE).
- The addition of a 0.20 FTE HR/IT Administrative Support Assistant in the Information Technology Department.

CAPITAL IMPROVEMENT PROGRAM

Highlights of the 2023 Capital Improvement Projects (CIP) not discussed prior are as follows:

- Construction will begin on the library renovation which is expected to break ground in the spring of 2023. Included in this Budget is \$13,500,000 for construction in 2023 with the project expected to be completed in early 2024. This is the final tranche of City funding for the project.
- As discussed previously, maintaining and improving public infrastructure remains a top priority of the City as this Budget invests over \$8,400,000 in road, bridge, and sidewalk improvement projects. Additionally, as previously discussed, approximately \$10,450,000 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 2023 Budget includes investments in the following areas: \$1,725,000 for HVAC upgrades at Municipal Services Building, Fire Station #6, and Wastewater Treatment Plant; and \$1,475,000 for trails and roads in Telulah and Peabody Parks, roads at the Wastewater Treatment Plant, and the parking lot at the Water Utility.

- Quality of life improvements in the 2023 Budget focus on maintaining our parks and expanding our trail systems. This budget promotes the expansion of our park system by including \$2,000,000 for the development of Lundgaard Park, which will be supplemented by an outside fundraising campaign.
- Public Safety improvements include \$532,000 to replace radio communication equipment, used by the Fire Department. A portion of the cost, \$217,700, will be funded with a grant award through the Assistance to Firefighters Grant (AFG).

CONCLUSION

The 2023 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,

A handwritten signature in black ink, appearing to read 'J. Woodford', with a large, sweeping loop at the end.

JACOB A. WOODFORD
Mayor of Appleton