



"...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 Appletonians:

I present to you the 2019 Budget and Service Plan, including the five-year Capital Improvement Plan. As always, our goal in putting this budget together is to provide you a budget that continues to allow for high-quality, efficient services while preparing Appleton for long-term success through strategic investments in our community.

During the past several years, the City has undertaken a number of initiatives designed to provide the framework for the future of our downtown and our City. The Downtown Parking Study was completed in 2015 and the first phases of implementation have been completed. The Downtown Accessibility and Mobility Study was adopted in 2016, with the first phases completed. We adopted the update to the City's Comprehensive Plan in 2017, including the next chapter of our Downtown Development Plan. And later in 2017, we created TIF districts 11 and 12 on the downtown's near east and near west ends. This 2019 Budget contains the funds for continued steps in implementing the changes called for in those plans. This is in keeping with Appleton's track record of funding and implementing the initiatives contained in the plans we work so hard to complete that outline our vision for the future of our City. The specific projects are discussed more fully under the Capital Planning section of this letter.

With the State limiting the growth in our tax levy to the growth of our tax base related to net new construction, turning these plans into real projects is essential. Development of the 2019 Budget was especially difficult given that the City's net new construction in 2017 grew by only 1.58%. Employee medical claims seem to have returned to more reasonable levels after a few years of unusually high claims. Therefore, the 2019 Budget includes a more modest 8% increase in the projected cost of medical claims. The 2019 Budget also includes \$400,000 in the general fund for the City's pay-for-performance pay plan. We made modifications to the plan in 2017 which were implemented with success in 2018 and it is essential that we provide funding for the plan in future budgets to ensure its continued success.

One of the things you will notice in the 2019 Budget is an increase in the funds budgeted for software support. As the City continues to move away from mainframe applications and toward an enterprise system there is an increase in license fees and support for the new

applications. Specifically, this year both the Police and Fire Departments have implemented new records management systems and with them comes the cost to support the software. The cost to support the old systems had been the responsibility of Outagamie County. However, the new systems come with increased functionality particularly useful to the Police and Fire Departments and therefore the associated costs have become the responsibility of the City. Also, as new technologies become more and more a part of society, there comes an increasing expectation that government take advantage of the new technology to best serve its constituents.

This 2019 Budget and Service Plan builds on our past efforts and provides funds for the further implementation of the plans we have set in place. It takes advantage of some new technologies and continues to provide for investment in quality-of-life initiatives that play an ever-increasing role in the decisions of both businesses and individuals to make Appleton their home. Therefore, as a City, we must move forward, confident in our planning and willing to demonstrate our commitment to invest in our own future.

CAPITAL PLANNING

The 2019 Budget continues to place an emphasis on capital projects and their planning. Much of the emphasis in the next year will be placed in the neighborhood south of W. College Avenue and east of S. Oneida Street. This neighborhood has come to be known as the “bluff” neighborhood and is part of TIF District 11.

In December of 2017, the City of Appleton entered into two development agreements for specific projects located in TIF District 11 on the east end of downtown. One calls for the redevelopment of the iconic Zuelke building. The developers of this project continue to work through the detailed permitting process at the State and federal levels that will allow work on this federally registered historic building. Since the City’s obligation under this agreement is funded through taxable increment created, it will appear in future budgets years after the improvements have been made.

The other agreement approved last December involves the building of a new headquarters for U.S. Venture on the former site of the Fox Banquets facility on the bluff overlooking the Fox River. The original agreement called for U.S. Venture to build an office building with a minimum value of \$49.5 million, with a third-party developer constructing an attached 625 stall parking facility which the City would purchase upon completion. This agreement was later modified to have the City construct the parking facility and U.S. Venture to construct an office building with a minimum value of \$54.5 million. The 2019 Budget anticipates the design and initial construction of the parking facility with associated costs of \$10 million in 2019, with the remainder of the costs in 2020 and 2021. It is important to remember that these costs will be funded by additional tax increment generated by the project as well as Parking Utility revenue, not the general tax levy.

Earlier in 2018, the City reviewed responses from a Request for Proposal for a mixed-use development in downtown that also included space for a new library. Several proposals were received and reviewed. Ultimately, the City chose to further pursue the proposal from Commercial Horizons to redevelop the Soldiers Square parking ramp with a mixed-use

building containing a library and commercial space, along with about 100 living units. Much of 2018 has been spent on developing the details around this proposal, including how parking will be addressed in this neighborhood, as well as how the project will be sequenced with the other developments in this area. The 2019 Budget includes funds for the demolition of the Soldiers Square Ramp and the initial funding for the library as part of the new development.

Originally, the 2018 Budget contained funds for the conversion of Appleton Street to two-way traffic north of the Skyline Bridge. This included the construction of a new bridge and infrastructure over Rocky Bleier Run. This project was delayed in 2018 and is now slated to occur in 2019 with funds for demolition of the existing north to eastbound leg of S. Oneida Street along with construction of the new bridge.

As anticipated, this budget includes \$2.4 million for the demolition of the Blue parking structure. Adequate parking exists in the Yellow and Green parking structures to replace the stalls lost after the demolition. The Parking Study suggests that the City will need to consider additional parking when new development or redevelopment occurs north of W. College Avenue.

DEBT SERVICE

General obligation debt service costs continue their upward trend in the 2019 Budget. Debt service payments on the City's investment in projects such as the renovations of Jones Park, the improvements to S. Oneida Street, and the deconstruction of the Blue Parking Ramp, as well as other infrastructure and facility improvements, continue to expand the City's debt service needs. As a result of the investment in these projects and others, total debt service costs increased from \$7,976,134 in 2018 to a projected \$8,918,819 in the 2019 Budget. The property tax levy necessary to support this increase rose \$1,240,344 (23.7%) from \$5,241,380 in the 2018 Budget to \$6,481,724 for 2019, resulting in the debt service portion of the total tax levy increasing from 12.4% to 14.7%.

Total general obligation debt outstanding at December 31, 2018 is projected to be \$56,833,375 compared to \$49,570,624 outstanding at December 31, 2017, an increase of \$7,262,751. However, despite the increase in outstanding debt, the City is well below its legal debt limit of \$272,171,760 and the amount outstanding compares favorably with similar sized communities throughout the State.

For 2019, \$36,443,350 in general obligation bonds and notes are expected to be issued to fund various capital projects in the areas of infrastructure (\$12,689,850), facility construction and improvements (\$20,817,500), equipment (\$876,000) and parks and trails (\$2,060,000). A complete list of anticipated debt-financed projects for 2019 can be found in the "Five Year Plan" section of this budget.

CONTINGENCY FUNDS

- All unused contingency funds in the Unclassified section of the budget are again anticipated to be carried over from 2018 to 2019. Estimated balances in the contingency funds available for carryover at the conclusion of 2018 include:
 - State Aid Contingency \$849,107
 - Operating Contingency \$402,298
 - Fuel Contingency \$137,315
 - Wage Reserve \$737,664
- Included in the Unclassified section of the 2018 Budget is the use of \$400,000 for wage increases for employees not covered by collective bargaining agreements. The funding for this increase will come from existing wage reserve anticipated to be carried over from prior years. The amount will be awarded to employees through the City's pay for performance evaluation system.

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 budget contains \$36,000 to support local and regional community and economic development activities. The 2019 Budget also provides funding for the continued management of Southpoint Commerce Park, the Northeast Business Park, and the future industrial/business park development along Edgewood Drive.

In terms of overall community and economic development, this budget includes \$250,000 in support of the Appleton Redevelopment Authority (ARA) to provide redevelopment activities throughout the City in order to maintain and enhance viable residential and commercial development.

Tax Incremental Financing Districts 11 and 12 (TIF 11 and TIF 12), which bookend the east and west sides of the downtown, were formed in late 2017 and have generated several development projects to date. The 2019 Budget provides continued funding for the successful Business Enhancement Grants program. In order to eliminate blight, encourage rehabilitation of properties, retain existing establishments, attract new businesses, increase property values and improve the overall appearance of the areas, \$42,000 has been included in both the TIF 11 and TIF 12 budgets for the grant program.

FISCAL

- General fund expenditures totaled \$63,445,780 in the 2019 Budget, an increase of \$426,929 or 0.68% over the 2018 Budget. Total general fund revenues increased slightly from \$63,018,851 in the 2018 Budget to \$63,045,780 in the 2019 Budget, an increase of only \$26,929 or .04%. The relatively flat revenue growth was primarily due

to a decrease in transfers from other funds. The 2018 Budget contained a one-time transfer of \$925,000 of excess fund balance from the Subdivision Fund to the general fund. There was no such transfer in 2019.

- The general fund tax levy increased \$811,066, or 2.36%, to \$35,646,816 in the 2019 Budget. At the same time, the tax levy for debt service increased \$1,240,344, or 23.7%, to \$6,481,724. Overall, the tax levy for the City is expected to increase \$1,748,410, or 4.12% in 2019. This increase is within State imposed levy limits.
- Tax Rates – The City's equalized value increased 4.22% to \$5,443,435,200 in 2018 which, when reduced by the City's overall assessment ratio of 92.75%, equates to an estimated increase in assessed value of \$111,759,488, or 2.26%. Applying the 2018 total estimated assessed value of \$4,837,737,982 to the tax levy results in the following projected assessed tax rates:
 - Outagamie County – \$9.15, an increase of 23 cents, or 2.60%
 - Calumet County – \$9.15, an increase of 23 cents, or 2.64%
 - Winnebago County – \$8.58, a decrease of 16 cents, or 1.88%

On an equalized value basis, the tax rate is projected to be \$8.48, an increase of 5 cents, or 0.60%.

- Debt and Fund Balances – The City's established debt and fund balance policies are met by this budget providing confidence in the continuation of the City's outstanding bond ratings and financial stability.

UTILITIES

- Water – The budget includes \$100,000 for upgrades to the chilled water system and installation of a back-draft damper in the carbon room at the Water Filtration Plant, and \$65,000 for driveway replacements at two water towers. Additionally, this budget includes \$1,400,000 for engineering costs related to designing a new lake intake and a second raw water line between the lake station and the Filtration Plant. Water utility infrastructure improvements planned for 2019 include \$3,801,052 for the replacement of aging distribution and transmission mains. Significant maintenance expenses in 2019 include the repair of an expansion joint at the Filtration Plant and the painting of the Lindberg Street water tower. There are no planned water rate increases for 2019.
- Wastewater – The 2019 Budget includes \$4,382,819 of improvements to the wastewater collection system along with \$200,000 in upgrades to the Midway Road lift station. The budget also includes funds for the following projects at the treatment facility: \$560,000 for RAS pumps replacement, \$1,800,000 for the multi-year project to replace the aging electrical distribution system, and \$2,271,000 for various projects to replace aging treatment equipment and facilities. Additionally, the budget includes \$750,000 for planning and engineering costs for either a permanent compost facility or an expansion of the sludge storage building in order to meet the 180-day biosolids

storage requirement. Major maintenance expenses in 2019 include re-coating the primary clarifiers. There are no planned public wastewater rate increases for 2019.

- Stormwater – Continuing the implementation of the City's Stormwater Management Plan, this budget dedicates \$6,116,280 to ongoing infrastructure improvements including \$1,709,502 for the construction of the Leona Street pond. In order to support increasing stormwater management costs and meet debt coverage requirements, there is a planned 13% increase in the annual ERU rate from \$155 to \$175. The current rate has been in place since July 1, 2013.

PERSONNEL

Included in the 2019 Executive Budget are the following personnel additions:

- Valley Transit - A full-time Mobility Coordinator position, funded by federal operating grants and Outagamie County. Under the direction of the Transit Director, and in partnership with the Aging and Disability Resource Center (ADRC) of Outagamie County, the Mobility Coordinator will plan and develop a mobility management program to coordinate and expand transportation services throughout Outagamie County.
- Valley Transit – A full-time Travel Trainer position to assist the Mobility Coordinator in working with the customers who use the services, and the community partners who fund the services, to maximize resources and improve access to transportation. This position will be funded by federal and State grants and Outagamie County.
- Assessor's Office – Increase of hours from 25/week to 28/week for the Real Estate Technician position to meet increasing demands for property listing services (CSM's, subdivision plats, right-of-way takings, deeds, sales, etc.) due to the upswing in activity in the real estate market.

Other changes approved by Council during the course of 2018 were:

- Valley Transit - Deletion of a .5 FTE Road Supervisor position, a .5 FTE Communications Technician position, and a .6 FTE Administrative Assistant position and the addition of a full time Transit Operations Supervisor position.
- Valley Transit - Addition of part time drivers as needed to fill vacancies caused by retirements of long time employees pending hiring of full-time drivers as authorized on the table of organization. As of the development of this budget, two part-time drivers have been added.
- Health Department - Deletion of the .75 FTE Public Health Preparedness Coordinator position and addition of a full time Emergency Management Coordinator position.

CAPITAL IMPROVEMENT PROGRAM

Highlights of the remainder of the 2019 Capital Improvement Projects (CIP) are as follows:

- Maintaining and improving public infrastructure remains a top priority of the City as this budget invests over \$14.4 million in road and sidewalk improvement projects. \$1.2 million of these projects are included in the City's newly formed TIF #11 which will allow the project costs to be repaid with incremental property tax revenue generated by the district rather than the general tax levy. Additionally, as previously discussed in greater detail, approximately \$15 million is planned to be invested in water distribution, sewer collection, and stormwater management infrastructure improvements.
- Proper maintenance of City facilities, parks, and properties continues to be a major point of emphasis for the City. To address this priority, among other projects, this budget includes investments in the following areas: \$210,000 to renovate the first floor customer service area at City Hall; \$475,000 to remodel and upgrade the fifth floor Public Works area; \$215,000 to remodel the office and shop areas in the Green Parking Ramp; \$275,000 to replace the Appleton Street elevator and three elevator jack shafts in the Red Parking Ramp; \$225,000 for a partial roof replacement at Fire Station #1; \$256,000 for LED lighting upgrades in the Yellow Parking Ramp; \$187,000 to upgrade the fuel dispensing system at the Municipal Services Building; \$160,000 to renovate the Lawe Street bridge tender station, and \$275,000 for interior and exterior lighting upgrades at the Municipal Services Building, Wastewater Plant, Police Station, and various parks throughout the City.
- Information Technology projects include \$243,000 to fund a multi-year project to replace the City's aging mainframe computer with an enterprise resource planning (ERP) system. This funding includes anticipated installation of the time entry, payroll, human resource, property tax and cash collection systems. Additionally, \$150,000 is included to upgrade the mobile data computers (MDC's) in Police squad cars in order to take advantage of the expanded capabilities of the computer aided dispatch (CAD) system at Outagamie County. This funding represents the replacement of 15 units in the first year of a three-year project to replace all squad car MDC's. Finally, \$87,000 is earmarked to upgrade the audio and video equipment in the council chambers to address shortcomings in that area; \$25,000 is included to replace teleconferencing equipment at the six fire stations; \$10,000 is included to upgrade the phone controller at the Wastewater Treatment Plant, and \$124,000 is reserved to purchase electronic poll books. The poll books have been certified by the State and will reduce voter wait times, increase accuracy of the voter information, and improve the election-day experience for both voters and poll workers.
- Valley Transit capital investments include \$250,000 for upgrading the software used to schedule ADA demand response rides and track individual rider data. The improved ADA Intelligent Transportation System (ITS) will utilize in-vehicle hardware (mobile data terminals), computer-aided dispatch (CAD), and automatic vehicle location (AVL) features to provide a more reliable, effective and efficient system for both Transit staff

and riders. 80% of the cost (\$200,000) will be funded by a federal capital grant while the remaining 20% will be funded by Transit's depreciation reserve.

- This budget continues the Public Works Department's traffic camera program, investing \$54,428 in the installation of cameras at four new locations in 2019. The program, which began in 2006, has proven to be an invaluable tool in monitoring traffic, reacting to accidents, monitoring road conditions, and effectively dealing with public safety issues. Additionally, the Department continues to retrofit existing street lights with energy-efficient street lighting technologies. The annual investment of \$126,883 is expected to be paid back in electricity cost savings in 3 to 5 years. As recommended by the "*Crosswalk Marking/Enhancement Policy for Uncontrolled Crossings at Intersections*" policy, \$162,132 has been included to provide enhanced pedestrian crossings at various locations throughout the City including College Avenue at both Schaefer and Matthias Streets; Richmond Street at Winnebago Street; Evergreen Drive at Meade Street, and Mason Street at Glendale Avenue. Finally, \$60,000 has been included to replace monitoring equipment at the Mackville Landfill site while another \$60,000 has been included for the purchase of a four-wheel drive one-ton dump truck for the Stormwater Utility.
- Quality of life improvements in the 2019 Budget focus on maintaining and improving our parks and expanding our trail systems. In order to achieve these goals, this budget promotes the expansion of our park system by including \$500,000 for the purchase of land for a new park on the City's southeast side. Additionally, this budget commits \$325,000 to upgrade the playground area at Pierce Park; \$275,000 for lighting improvements and rebuilding two tennis courts at Linwood Park; \$55,000 to construct a canoe/kayak launch at Telulah Park, and \$175,000 for grounds improvements at the Scheig Center. Finally, this budget earmarks \$675,000 for design of the Edison trestle trail and design and initial construction costs of the Lawe Street trestle trail.

CONCLUSION

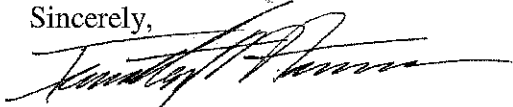
In 2019, we will continue to make strategic, calculated expenditures to leverage all the good things we have for an even better future for our citizens. But as we consider these decisions, it is important to remember that the one thing that doesn't change is the City's mission of meeting the needs of the community and enhancing the quality of life. Our citizens demand that we continue to fulfill that mission at the same time we strive to minimize the burden of doing so. This means that we must continue to find ways to be more efficient with the resources that our citizens entrust to us and to look for ways to permanently reduce our overhead while minimizing the impact on the services that our citizens have come to expect from the City. This is a trend that I believe needs to continue into the future whether we are in good times or not so good times.

It is my great honor to say thank you to our department directors and all of our employees for their ongoing dedication and selfless service to our organization and our community. In particular, I would like to recognize Finance Director Tony Saucerman, Deputy Director Jeri Ohman, John Hoft-March and Kelli Rindt for the many hours they have spent preparing this document, along with the incredible job they do each day to keep our City in excellent

financial condition. They deserve a great deal of credit for the jobs they do on a daily basis on behalf of our community.

The City of Appleton continues to balance sound financial practices while providing the basic essential needs of our City. Together we will continue our dedication to meet the needs of our community and enhance the quality of life. Appleton is a viable, strong community well positioned for a bright future.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy M. Hanna", written over a horizontal line.

TIMOTHY M. HANNA
Mayor of Appleton